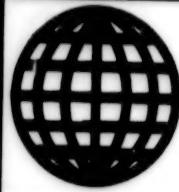


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7 JUNE 1990



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JPRS Report—

Soviet Union

Economic Affairs

Soviet Union Economic Affairs

JPRS-UEA-90-019

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Selyunin's 'Shadow Cabinet' Idea Criticized

904A0374A Moscow LITERATURNAYA GAZETA
in Russian No 21, 23 May 90 p 7

[Article by A. Orlov, deputy chairman of the USSR Council of Ministers State Commission on Economic Reform: "Don't Go Up the Slope!"]

[Text] Vasiliy Selyunin's article "The Last Chance" was published in LITERATURNAYA GAZETA No 18, 2 May 1990. The author, the originator of the idea of a "shadow" government cabinet, advances the idea that the time has come for creating this cabinet. He thus declares open fighting on the government. Well, what next? Is this the most appropriate time for such battles?

But of course, I agree with one of the central tenets in Stanislav Shatalin's article "Keep Our Heads!" on that same page in LITERATURNAYA GAZETA. The member of the President's Council talks about the need to consolidate social forces to get out of the crisis and for a sudden turn for normal life.

It is surprising that V. Selyunin, a sincere analyst, has a number of inaccuracies. In particular, the attacks aimed at Academician Abalkin are hardly deserving. It is disappointing when conscientious concern grows into nervousness.

Almost 120 years ago, F. Dostoyevskiy, in his book "Besy" [The Possessed] (having read in his own way Nechayev's "Katekhizis" [Catechism]), put into Verkhovenskiy's mouth the answer to the question: Why were there so many murders, scandals, and abominations? Remember his words, that for a "systematic shaking up of the foundations, for a systematic corruption of society and all principles; in order to discourage everyone and make a mess of everything and the society that had thus become slack, sickly and limp, cynical, and unbelieving, but with an endless thirst for some guiding thought and self-preservation—suddenly take into one's hands, raising the banner of rebellion and supported by a network of fives [five-member revolutionary cells] who meanwhile operated, won over to their side, and sought out virtually all devices and all weak spots that could be seized."

How well the roles of today's "gamblers" in politics and "reformers" are described! But who is the persecuted Shatov [a character in Dostoyevskiy's "The Possessed"]?

According to Vasiliy Selyunin, this doesn't turn out "perfect." In his article, he refers to my rejoinder (IZVESTIYA, 3 April) about the disproportion of wages of workers, kolkhoz farmers, and cooperative operators. Is this really not the case? But one must see the reference point and get to the heart of it. We must bring up the low wages of workers and kolkhoz farmers to those amounts which free cooperative operators receive. We must do

this by creating conditions using, above all, the market and free labor. And here the state should indeed regulate and support this process. I am basically talking and writing about this freedom of choice. Without this there is no market (see "In the Zone of Risk", MOSKOVSKIYE NOVOSTI, No 6, 11 February 1990; and the same IZVESTIYA, 3 April 1990, from which V. Selyunin takes my words). Well, I do not believe there can be any talk about cards. For this, the esteemed apologist of the shadow cabinet need only look at the magazine VOPROSY EKONOMIKI, No 2, where I clearly spoke out against the rationing of products.

According to Vasiliy Selyunin, this doesn't turn out "perfect." It has long been obvious that we need to move towards a market economy. But we should not go along the slope and wear down our heels! And we should do it without making a mess of it.

Incidentally, buckwheat would not hurt all of us. And the path should begin with it.

Government's Fate Linked to Successful Economic Reform

904A0373A Moscow OGONEK in Russian No 18,
28 Apr-5 May 90 pp 1, 29

[Interview with Pavel Grigoryevich Bunich, economist and USSR People's Deputy, by OGONEK columnist Vladimir Glotov: "What Can the Government Do? What Do the People Want?"]

[Text]

[Glotov] So, as in Vysotskiy's song, it has been less than half a year, more precisely three months, and the government has given in. Quite recently, at the Second Congress of USSR People's Deputies, it did not envision any serious economic reforms in the next three years and rejected out of hand all arguments favoring reforms, accusing their defenders of not being serious and of jumping from one thing to another. And now the government itself is advocating radical economic reforms. That which did not suit it in December of last year suddenly began to suit it in March and April of this year! What do you make of this?

[Bunich] First of all, we should welcome this act of belated but still self-criticism. The government has canceled its program and thus canceled the entire 5-year plan. The 5-year plan can be considered "dead," the one that was being discussed in December. It is dead because the radical reform has been announced. It, the reform, cannot exist together with the 5-year plan. The 5-year plan or perestroika? If the 5-year plan is decisively adopted, there is no room left for any perestroika.

The choice has been made—perestroika.

[Glotov] Excuse me, but we have heard the words "radical reform" before!

[Bunich] Yes, they appeared back in 1985. Now, after a period of silence, they have reemerged.

[Glotov] In the CPSU Central Committee Platform, as well as in the recent letter from the Central Committee to Communists, it states that we must create a "planned-market economy." It would be interesting to know who the author of this formula was?

[Bunich] No one owns up to it. But the absurdity of the term throws us back a minimum of five years. The economy is only a market economy. Regulated or not?... Unregulated means not refined. It is regulated throughout the world, even in poorly developed countries that have a market economy.

[Glotov] It isn't a matter of words. What is behind them? What kind of danger?

[Bunich] This is, of course, a recoil. This may be a mine under the government's new boldness.

Our overall changes began in reality with political reform. Economic reform was merely proclaimed, but was not at all developed. Political reform has been going on for five years now.

Quite recently it was suggested to us to remain in this condition—without economic reforms—for three more years.

Let us recall the events in the East European countries, I almost said socialist countries. On the one hand, the events took place similarly; on the other hand, they did not. Everything also began with political reform. But it was, if we talk about critical mass, lightning-fast. And now they are examining serious economic reforms.

No country will last if it engages in just political reforms for 100 years, especially a country that is in a difficult situation. The year 1985 was a comparatively favorable year, but the economy is not able to remain at a standstill.

[Glotov] All these years have convinced us that we need a gradual approach.

[Bunich] This is one of the grossest mistakes.

[Glotov] There was a label—adventurism.

[Bunich] "The left-wingers join the right-wingers..." In the end, both "lead to disaster..." So we wasted a lot of time.

The economy, I repeat, does not remain at a standstill. There also exists a theory of relativity here—there are other countries around us. Taiwan, Hong Kong, Singapore, South Korea, and now even Turkey, Brazil, and Argentina are breaking out as leading countries.

The economy does not remain at a standstill in absolute terms either. Last year we fell back in absolute figures instead of planned growth, too. Attempts to justify this afterwards by structural changes in production reminds

me of the talk that meat, butter, sugar, tobacco, and other products in short supply are bad for our health. We are sinking into poverty. Speculators are making money for everyone; the mafia is having a good time for everyone; demagogues are speaking for everyone; bureaucrats are taking the rap for everyone; and the people are taking the punishment for everyone. And it is understandable that they are losing incentive to work. And besides, it is being politicized in a spiral.

[Glotov] So, we have a negative value. We are going backwards. What is the reason?

[Bunich] I mentioned the first reason: political reform has dragged on. It should have been carried out over the course of one year. There was political shortsightedness, ideological and conceptual unpreparedness, and indecisiveness.

[Glotov] It is characteristic of us to take power first and then think.

[Bunich] While we were thinking, the second thing happened. I said that there was no economic reform at all. I want to clarify that: there was economic reform, but in the destructive sense of the word.

No one has ever carried out such reforms: destroy first, then build.

We ideologically destroyed the command economy. We broke it and spit on it. We deprived it of authoritarian power. Thus, we lost the stick. No one listens; the enterprise director walks along the walls so the workers do not attack him. Intoxication and intimidation. The command system reminds us of a deflated ball. It is impotent. And there is no other system now. The stick has disappeared, but the carrot has not been prepared.

[Glotov] What is it—a vacuum?

[Bunich] It is not a vacuum. A vacuum is an unknown. And maybe that would not be so bad. We have something else here. Anarchy, confusion, and lack of discipline are climbing into the void. And they have gone as far as absolute recoils.

The third mistake was that the ideology prevailed that we should go in small steps, although such small steps are hopeless. They are pulverized by the old system. It either regenerates them or tears them away.

Remember? We began fighting for contract discipline. We introduced some coefficients, how many contracts it was possible not to fulfill... And the managers set the plans too low, and we boasted that we had begun to fulfill them 100 percent.

The economy learned to play off key.

There were an extremely large number of mistakes. Amidst the fanfare that we are moving toward a market economy, we began to place hopes on state acceptance. Its staff grew wildly: 30,000 skilled people with high

wages were taken from production. And what happened? Now not a single person remembers state acceptance. It died quietly. It was not torn away, it was subordinated to the economy. This is an example of pulverizing, but already mistakes.

Suddenly we introduced a tax on wage fund increase, although it was clear that the increase in the wage fund would be reduced only slightly from this. It is difficult to conquer such a bulky and cumbersome thing with such a mosquito bite when people are willing to strike everyday. We saved an absurdly small amount, but then frightened the people. People began to work clearly worse. Not only did the increases in the wage fund decrease, but so did the increases in the volume of production. The discrepancy between money and goods was made even greater.

[Glotov] Do you think these were mistakes? Don't you think these were conscious steps?

[Bunich] No, I don't think they were. There was a fairly sincere hope. Here, perhaps, it was the terror of old instruments which you keep in your mind... The habit of operating by methods of suffocation.

[Glotov] In this regard, the question arises about the qualifications of our leadership.

[Bunich] If they get burned, they then resist.

[Glotov] Meaning ambitions?

[Bunich] Yes, not providing an opportunity to be criticized.

[Glotov] Let us try to sum up all the mistakes.

[Bunich] Political reform thunders with a noise and fuss. Here I do not want to say that political reform should end. In our country it takes a painful and noisy form, but it has not achieved the most important goal—a culture of ensuring the rights of every person; they are trampled on the same as before. A person feels free when he goes to a rally. But the rest of his life is the same as before. They also don't give a damn about him in all small and large situations. Political reform must now go deeper.

But still, life in the political sphere is in full swing, but the economy is going backwards. A person hungry and free is a worse combination than a person hungry and not free.

We did not have this combination before. First, we were not hungry; second, we were not free. Now we are both.

Politicization takes on forms resulting from poverty. These are garish forms. As a result, we have one-sided perestroika, going in the direction of exclusively politicization and simultaneously causing a recoil in the economy.

The pot is beginning to overheat.

[Glotov] Just how much has it already overheated?

[Bunich] We do not know when it will burst. It has reached the point where it may explode at any moment. This is still human material, not equipment. It was overheated already a year ago.

What is taking place in the nationality sphere is the result of the overheating.

Imagine our country as a multinational ship heading for the reefs. People are jumping from it to save themselves by swimming. It is a long way to swim, and not everyone will reach the shore, but there is a chance to be rescued. and there is no chance of surviving on the ship.

When the economy collapses, there is one principle: abandon ship.

[Glotov] What if the ship is following the correct economic course?

[Bunich] It would be a centripetal not centrifugal thrust. It is more comfortable even on a bad ship than it is being alone on a stormy ocean.

Here is what lies at the basis of our many nationality problems. I have talked with deputies from the Baltic republics and am on good terms with many of them. They are constantly faced with the example of the beggar Chukhoniya, which became Finland. If they believed that Russia will rise from its sleep, they would be patient. But they do not believe this.

You know that not a single state is leaving America. The same thing is now taking place in the European Economic Community—there is a line to there. Not from there, but to there. And this is the only line existing in the West.

If our ship were going on the correct course, that which is now forgotten would come back to our mind. Territorial proximity and, consequently, the advantageousness of economic ties. Natural proximity, regional unity. Language closeness, cultural and geopolitical closeness.

[Glotov] Pavel Grigoryevich, does the course toward a market assume variants?

[Bunich] There are several variants which the East European countries have passed. There is the China variant.

The stores in Poland have goods, but the population has no money. Prices have skyrocketed.

If our prices were increased tenfold, we also would have goods. It seems to me that this is an insufficiently professional assessment of the economic situation—to judge only by whether or not there are goods in the stores. There may be goods, but if you have no money, life will remain just as bad.

The standard of living in Poland, in my opinion, has dropped 30 percent. But since Poland has been suffering for 10-12 years already and since it has taken the government to the top and given it a vote of confidence,

the people will put up with it. Although there already are groups in the same "Solidarity" that are calling for strikes. No, things are not as rosy as they appear from the side.

For some reason, we know almost nothing about what is taking place in Yugoslavia. In the last 2.5 years, inflation there reached 1,000 percent a year. This is a European record, approaching the world record. But when surveys were conducted about what concerns the Yugoslav people, inflation was in last place. Why? Because wages have increased even more. Yugoslavia had tremendous inflation, but we should live like that! Incomes increased at almost the same rate.

What is going on now? Inflation is not more than 10-12 percent a month, which is 100-120 percent a year. In the near future it will be 5 percent a month. Then there will be deflation. According to results for the year and economists' calculations, inflation will be 7-12 percent.

How did they achieve such a result? At some moment they froze wages. And the people did not rush after goods, and that means they did not raise the prices for them.

The third variant is the Chinese variant. This is the greatest economic miracle that has occurred with a so-called socialist country. No one has achieved anything greater, with the exception of our NEP. Now the effect from the Chinese results has begun to fade somewhat; there is the concept of "economic fatigue." If we do not think about the future, the economy cannot give much today, but tomorrow we will have to pay for this. China was so poor that it did not think about the future. It exploited the fixed assets and land, and now is paying for what it fed its people then. And the economy is still developing at a growing pace and on a market basis, other than heavy industry. This is the stone that hangs on the neck, and this is the main tragedy of China. In China, foreign capital flowed successfully into its economy. Economic zones were splendid! Small Manhattans!

Hungary should be placed on the same basis as China. Of course, the Hungarians have many problems, but if we had resolved what Hungary has resolved, we would have considered perestroyka to have concluded successfully in our country.

[Glotov] Why are we now looking so closely at Eastern Europe and China—are we again going in a circle? There is classical experience!

[Bunich] Because the countries of Eastern Europe have shifted from the command economy to a market economy. America and the entire world have shifted from market economy to market economy. Direct analogies from there are impossible. There is no transition there from bad to good. Although we certainly should study the experience of Japan, France, and Sweden. Things have become somewhat worse in Sweden recently, for high taxes are good only until they kill

interest in working. When a businessman moves gradually from a low tax to a high tax, he still lives and doesn't die out. And if a country as a whole is in a state of prosperity, it might not feel the dying out, especially if the decline is covered by fairness in distribution. However, that is not how it turned out. There has begun to be an outflow of capital and intellect and a decrease in economic results.

[Glotov] This is a beneficial digression for neighbors, but what lies in store namely for us as we approach the boundary of the market?

[Bunich] From what I have read and heard, it seems that about 70 percent of the prices may become free prices—supply and demand. This is the Polish variant, but we do not admit it. There will be goods in the stores.

Those who have piecework wages will have no special problem. The plant sells its products at a higher price, and the worker receives more or less money in his pocket, depending on whether his output is good or bad. If a person receives less, he himself is at fault.

What about workers whose wages are based on a time rate? Those who work at plants will not lose, since the wage fund will increase.

But what about the 60 million pensioners? And what about the students, the military, physicians, teachers, employees, and everyone who does not live off an enterprise but have fixed incomes?

We will have to increase wages for everyone. But as soon as we increase them, it will turn out that there will again be more money than there are goods. That means we will have to raise prices again. And if we raise prices, we will have to raise wages again. And so on, several times.

In shifting to a market economy, we cannot divert attention from the social factor. For example, a plant purchased raw materials at a high cost and sold finished goods poorly. You do not immediately restructure, outdated technology and the like.

Here is what happens: economically, a market economy is necessary, but millions can be out of a job instantly. What do we do with them?

We must legalize the concept of unemployment. We must give it the right of citizenship so as not to give the appearance that we have no unemployment. We must introduce unemployment benefits, determine the amount, and create a system for retraining at the expense of the state.

If we forget this, we will create serious social aggravations, which with the present politicization of the masses can sweep away any government.

[Glotov] Pavel Grigoryevich, can we introduce a market economy without changing anything in ownership?

[Bunich] If we announce that beginning tomorrow we will have a market economy, it will not work. A market without ownership does not interest a person because then he is a day-laborer not thinking about the future.

We took pride in the fact that socialism frees man from concerns about the future.

The lack of concern about the future is the lack of a future itself, being doomed to a crisis.

[Glotov] It was believed that the state would assume this role—concern about our future.

[Bunich] Not the state, but a machinegun. And barbed wire. Without them such a society would eat its way through. For its enemy is the accumulation being taken away from it.

In "Critique of the Gotha Program," Marx wrote that in the future society, each person would receive from it as much as he gives it, minus a certain amount necessary for maintaining the society.

What about us?

What do we receive? What do people at the enterprises receive?

A miserable wage.

And where is the development fund, the investment fund? What about what we have earned and deposited? They have been taken from us. It increases state ownership. And this, of course, contradicts the ideal outlined in "Critique of the Gotha Program."

Effective 1 January of this year, in my opinion, a revolution was achieved on paper. It stated that the development fund at all leasing enterprises now belongs to the enterprises themselves. The state did not bestow the development fund on them—heaven forbid if they understand me in this way. They returned it to the people.

[Glotov] What then, can every worker do with it as he wants?

[Bunich] Even when he leaves the enterprise, he can, figuratively speaking, cut off his piece of the value and take it. Retiring on a pension, he can pocket the accumulated 30-40,000 rubles. Or he can leave them to get dividends.

But the main thing is not the dividends, but this piece of capital that the worker created.

And each piece has its own name—Glotov, Bunich... Of course, it is in a monolith, in metal, but we each have our own share of its value—the accounting office calculates everything. And it reports to each person the amount of his share and the number of shares of stock.

Now imagine. As it is amortized, the state's wedge in the leasing enterprise will decrease, and the public's wedge

will increase, and finally I will become a member of a completely collective enterprise. The people have long been waiting for this kind of collectivization. But no one prohibits people from using the development fund to purchase the plant ahead of time and become its collective owner.

And if the workers have extra wages, no one prohibits them from buying up the enterprise using these wages and not only using the development fund. Unfortunately, wages are not great, and you will not buy equipment, for there is barely enough money to feed one's family.

The third source of buying the leasing enterprise is the possibility of selling shares of stock to the workers of other enterprises. Foreign companies could also be involved in buying enterprises.

As I already said, a leasing company possesses all of this. Theoretically.

As of 1 July, state enterprises will also be given such a right to dispose of the development fund.

Today we have arrived at the "leasing" concept. This is an intermediate form, an instrument, a sort of transitional period. As Yevtushenko said, a poet in Russia is more than a poet. So, leasing, too, is more than leasing. It is a method of eliminating state ownership.

[Glotov] In connection with your thoughts on ownership, in your opinion, how does party property blend in with the future market?

[Bunich] Strictly speaking, this is not its property but our property; the money was taken from us. But I would rather not go deep into this question. Let's examine kolkhoz property. It is alien for a kolkhoz farmer. What to do with it? Give it away to the kolkhoz farmers? Not physically, but in the value sense, so that every kolkhoz farmer becomes a shareholder?

In any case, it cannot be left this way.

[Glotov] Pavel Grigoryevich, we have become so accustomed to the Gosplan, Gossnab....

[Bunich] I was in Greece and went to where they were building a huge stadium. I asked them: "What kind of deliveries do you have—annual?" They did not understand me. "Quarterly? Monthly?" Silence. My interpreter, a communist, is struggling with this. I decided: they do not understand, so I should stop talking. And at that moment they nevertheless understood. They answered: "Everyday at 5:00 AM!"

And then with an idiotic thought I asked: "What happens if one day they do not deliver at 5:00 AM?"

They answered: "Then they will never deliver to anyone in Greece!"

That is how the market mechanism works—like a clock. Without a Gosplan and a Gossnab.

I would have expanded your question: What about Goskomtsen [State Committee on Prices]? What about the ministries? What do we do with them?

In my opinion, we should allow roughly 70 percent of the state sector to be in leasing.

Imagine, if only part of the enterprises were to remain in subordination to the ministries, could the old structure be left?

We need a small governmental staff (advisers) which, without managing the enterprises (other than those in the state sector), would study strategy and suggest to the government correct decisions for developing the sectors.

[Glotov] How would enterprises receive what they are now receiving through the Gossnab?

[Bunich] Through trade fares and commodity exchanges. We now have the Achievements Exhibition, where you can look and lick your lips, but you cannot buy anything.

Nowhere in the world do they have an Achievements Exhibition, but they have sales exhibits. They have catalogs and newspapers consisting of 30 pages of information.

[Glotov] That is a huge sphere unfamiliar to us!

[Bunich] It must be created. The game is worth the candle. There are now thousands of people sitting in the Gossnab and its territorial bodies—this is more than if we were trading by catalog. And they are of less use.

And our gigantic Gosplan, like a command octopus, is not needed. What we need is an agency engaged in strategic forecasting for the government.

[Glotov] Pavel Grigoryevich, enterprises have now begun to talk directly to one another: You give me pipe, and I'll give you cotton... What is this?

[Bunich] It is a step back centuries.

[Glotov] Is this not the beginning of a market economy?

[Bunich] This is anti-market. For the best commodity is money.

[Glotov] But if not the Gosplan, not the Gossnab, and not the ministries, then—excuse my misconceptions—how will the government manage the economy in conditions of a market economy?

[Bunich] We visited the president of one developed country. He decided to receive us for 15 minutes. He sat with us for 2 and ½ hours and even played chess. He was not needed! That is what is astonishing! The country operates, and the mechanism operates. A. Ryzhkov does not have a free second.

What regulation can there be in conditions of a market economy?

First, there is the taxation system. Then there is the customs system. Third, we have the amortization policy. One can twist things around so that objects are used, like now, until they lose consciousness, or it can be done differently: have a mandatory write-off after 10 years. Then there is the concept of strategic and simply reserves, which if thrown on the market can affect prices.

In general, there are many methods of regulating the market. For example, banking interest policy.

Mankind has developed a fairly rich set of tools, but this does not mean that it should tie the entire economy hand and foot.

Technical progress, capital investments, government employment programs, creating special jobs—all this is also regulating the economy in market conditions.

But this is not the main thing that concerns me. We will master this. Something else concerns me. The transition to a market economy will aggravate the struggle.

[Glotov] The struggle with whom? The government itself has changed!

[Bunich] Has it changed in earnest or not—this we have yet to see. It is important not only to wish, but also to be able. In addition, the government is the apex of the pyramid, but it also has a base.

Who loses in conditions of a market economy? Above all, the party bureaucracy. There is no room for it here. And it understands very well that in a market economy it will not receive its share of the national income that it receives now. It is one thing to be able to bang one's fist on the table and take away a party membership card, but it is another matter to become a businessman. The moss-covered party bureaucracy is incapable of such changes.

The second group—it should not be counted out—is the bureaucracy of ministries. The Baltic Steamship Line, one of our best steamship lines where 30,000 people work, wants to switch to leasing—they will not let them. Many ministers wrote that they are big advocates of leasing, but ask that their ministries be excluded entirely from leasing. And the minister of the maritime fleet does not intend to lease the fleet.

We have all heard about the miner strikes, and the best solution is to convert the mines to cost accounting, to leasing. No one has yet carried out strikes against themselves. Here is the latest fact. It was announced both over the TV and in the newspapers that the "Raspadskaya" Mine was switching to leasing. But I have in my hands a telegram from the miners saying that it is all a lie and that a contract was not concluded. The miners warn that they are running out of patience.

The bureaucracy understands that as soon as the last enterprise switches to leasing, the chair will fall from

under the last old-type ministry official. That means a holy war against the market economy on the part of the bureaucracy.

The third force is the many directors, primarily of large enterprises, especially of the defense complex. In OGONEK, I called them "fat cats." Recently SOVETSKAYA ROSSIYA published an article entitled "I Am that Very 'Fat Cat'" in which the author "meowed" that he was not all that fat.

I meant that they are fat Soviet-style; they receive heroic titles, have a better supply. Yes, they work, but in better conditions. Compared to the quite "puny cats," they are still "fat cats."

These "fat cats" are a large and organized force.

[Glotov] And the government cannot keep them in check?

[Bunich] The government does not command; the "base of the pyramid" commands.

[Glotov] In your opinion, what do the workers think of the changes?

[Bunich] The percentage of advocates of a market economy, particularly leasing, is the highest among workers. Although there are workers who oppose it, not because they are "against" it, but they simply do not know what it is.

People's lack of confidence in the political situation also has an effect. The people still have not forgotten the dispossessing of the kulaks and the "long journey for years to come." They see the "shots" taken at those involved in cooperatives. People understand that the leaseholders will be next. There is no guarantee that tomorrow they will not be expropriated and that some preposterous tax will not be introduced that will destroy an enterprising person. Instability of economic conditions is the most dangerous thing; it is killing already earned ownership.

And I would like to make special mention of dogmatism, about our ideological conviction of the firmness and advantages of being able to take away.

Jesuitical means are being invented in this struggle. An enterprise would like to switch to leasing; some trusting director talks about this, without obtaining a decision of the labor collective council, going to the ministry for advice—this director is gone. They remove him the next day and assign another who will never even think about leasing.

Or should I open my mouth about how they turn a structural unit into a shop; a shop, according to legislation, has no rights and cannot switch to leasing. Or they cut off supplies. Or they simply delay them.

[Glotov] Is this your fault as legislators?

[Bunich] When we passed the law, we still did not have a feel for everything. But one cannot believe that if a law is not carried out, the law is to blame. Basically, those who oppose perestroika are the ones to blame. For the time being they are stronger than the law.

Nevertheless, it has now become somewhat easier. If we had met three weeks ago, I could not have made this ending, but now I can. There has been movement.

[Glotov] Do you yourself have an inner belief that success awaits us this time? That a market economy is our last chance?

[Bunich] There are no hopeless situations. We can make a new economy. I see two stages: ownership and market. But the question actually is this: Will the government be there or not? If it implements its program and this program is convincing, the government will receive support. If it does not implement it or if the program proves to be worthless, we will have a total collapse of the government.

[Glotov] You represent the Union of Leaseholders and Entrepreneurs of the USSR... Incidentally, a question in the spirit of Urmas Ott: What is your salary?

[Bunich] I do not receive it. But it was set at 1,700 rubles.

[Glotov] They rated you very highly! In general, why do we need such a union?

[Bunich] We need unity.

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Popular Concerns About Shift to Market Economy Addressed

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in Russian 11 May 90 p 2

[Interview with Pavel Bunich, deputy chairman of the USSR Supreme Soviet Committee on Economic Reform and corresponding member of the USSR Academy of Sciences, by L. Nechiporuk: "On the Market, Prices, and People's Concerns"]

[Text]

[Nechiporuk] Pavel Grigoryevich, in an interview last year for our newspaper you spoke quite skeptically about the course of economic reform, remarking that it was not moving "where it should, but rather is at a standstill." Has this assessment changed?

[Bunich] Our country has been lagging behind for a long time with respect to highly developed states—anyone can see that. But approximately one year ago we began to lag behind ourselves. Increases in the basic indicators have come to an end. The volumes of industrial output and national income have decreased, and a trend of not positive acceleration, which we had set our hopes on for so long, but negative acceleration has been noted. In short, we are no longer simply at a standstill, but are

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moving backwards. But it seems to me that we are moving backwards with our face turned in the right direction—toward a market economy. So far mankind has not thought up anything better in the system of economic management. But you see, quite recently we rejected the very idea of a market economy; supporters of a "market economy" were heard but not listened to.

[Nechiporuk] At a meeting with residents of Sverdlovsk, M.S. Gorbachev said that we must begin the main work for transition to a market economy next year. However, a number of laws are going into effect already this summer, on 1 July, in particular, the long-suffering Law on Ownership in the USSR. Parliament is just about to consider a series of governmental documents necessary for transition to a regulated market economy. Is it worth waiting for winter?

[Bunich] Everything is not as simple as it may seem. Especially since we are talking about a person's concern about a job. And this does not come about in a day or a month. The present Law on Ownership in the USSR, with all its shortcomings, does contain the potential to make the worker the master, an owner. The process, I think, will proceed slowly; it will be difficult, but it will proceed.

The next necessary condition is a reasonable, competent system of taxing enterprises. The appropriate law, I hope, will be passed by the Supreme Soviet at the opening session in the first reading, and I would like to believe that it also will enter into force on 1 July. True, there will probably be some opposition here from those who believe: if we introduce taxes in July, things will immediately be bad; if we delay it a little, things will be bad on 1 January.

How will it be bad, the question arises? Strong enterprises, knowing the specific tax rate, will be able, with full right, to leave for themselves more than usual, convinced that they are indeed rich.

It turns out that the Ministry of Finance is afraid of losing on the strong enterprises, and there is nothing to take from the weak ones. The same picture, I am sure, is also possible next year. Is it not better to put an end to the anti-taxation system sooner and get people interested in working sooner? Incentives for working will appear, product output will increase, and not only incomes but also taxes will increase. Consequently, the budget will not be depleted. The market will find two most important elements: ownership of property—the desire to work; taxes—assurance that they will not "dispossess the kulaks" and will take as much as they are supposed to take. The matter depends on a third element—price reform, without which there is not and cannot be a market economy.

However, we recognize that only today we have the time, understanding, and support that we cannot avoid a large number of free prices. Adam Smith called price the "invisible hand" that leads us and says: do this and not that. Let us assume that there is a shortage of some

commodity. The price for it instantly soared, and profit has risen. Rejoicing, a person invests funds in this production facility, knowing that he is not miscalculating. There is a transfusion of capital—a most powerful means that, unfortunately, is not used by our economy. For years we were able to produce much, excuse me, that no one needed and, conversely, delay the new and progressive. A typical characteristic of stagnant capital, in which if it was "transfused," it was done clumsily and with many mistakes.

Prices are sort of the heart of the economy; it beats, indicating: Is the pressure good or bad? Whereas for many years we said the economy was improving, it is clear that the heart was beating heavily. The main reason was that prices were established centrally down to the smallest nail, without taking into account the situation and fluctuations in demand. Roughly this same traditional concept was put in the governmental program adopted at the Second Congress of People's Deputies. Delay in forming new principles of price formation in the final analysis also slows down the transition to a market economy.

[Nechiporuk] Indeed, the mess in price formation explains the impatience of labor collectives waiting for changes in wholesale and purchase prices. As far as retail prices are concerned, the same people in the role of ordinary customers are less optimistic. Regulation of the production market inevitably will affect the consumer market, and then the pocketbook!

[Bunich] If there were not people in the economy but were "screws" and "bolts" everything would be simpler. A market economy would be announced tomorrow, free prices introduced, and the "screws" and "bolts" would jump for joy. But people are people. Therefore, it is not only economic considerations that determine the country's course of conduct, but also the social situation in which we live. Will we have time to draw up social guarantees by 1 July so the population is not worried? Not likely.

Let us assume for a moment that prices increase exorbitantly, suddenly. Will the pieceworker suffer? No. He makes more, the plant sells for more, and they receive accordingly. Everyone is satisfied. The same goes for workers whose wages are based on a time rate and other production workers. But what about physicians, teachers, the military, pensioners—in short, those who have fixed incomes?

[Nechiporuk] Their concern is understandable: They say they will not forget the poor people, and we will not receive more than the set "ceiling."

[Bunich] There should be an indexation for people with fixed wages—raise their incomes by a coefficient equal to the price increases. Everyone—from the marshal to the soldier, from the academician to the junior scientific associate. If we limit indexation only to low-paid people, the average-paid and high-paid people will drop to the level of the former compared to those who work at

cost-accounting enterprises. Then the marshal will receive the same as a shop chief.

As far as the poor are concerned, we will say honestly that they have not been lively richly under the planned economy. They will not be any worse off under a market economy. They need additional privileges besides indexation—coupons for acquiring children's items and food products.

[Nechiporuk] But where do we get the money?

[Bunich] If steps are taken to revive the economy, there will not only be high prices but also high incomes and taxes. This is no longer inflation, but a part of the created value coming into the state which is financing the conduct of social policy.

[Nechiporuk] At the May Day rally, Muscovites carried a banner "Market economy—yes, unemployment—no." Unfortunately, there are many who see the market as a big bazaar where everything is expensive and crowds of unemployed are strolling.

[Bunich] For the time being, the "unemployed" are strolling at enterprises, receiving a pretty good wage in so doing. But when the market economy begins, they will tell them "Good-bye." At a recent press conference at the USSR Ministry of Foreign Affairs, I said that the number of unemployed in our country could reach 10 million in the next few years. The statement was received negatively in some circles: "You are scaring the people." In insisting on this figure, I will not argue that I want to scare them. If you do not scare them, for all one knows they will underestimate the seriousness of the problem, and tomorrow it will be too late. Although, there are ways to avoid trouble.

Small business is not at all developed in our country. Create conditions or, still better, do not prevent people from working 2 together, 10 together, and not only "in threes"—goods will increase. It is very important to anticipate the development of one or another promising sector to where capital will begin to flow. It will draw masses of people like a magnet. Therefore, it will be necessary to organize their retraining in advance. We will not forget about the prospering enterprises winning the market. They will expand, which means they will need manpower. The state, for its part, will provide a law on employment which is also part of the critical mass of conditions necessary for the emergence of a market economy. However, I would like to touch upon another topic.

The fear is also caused by a psychological reason—the Soviet person has not learned to think for himself and has become accustomed to the formula that socialism frees him of concern about tomorrow. Faced with unemployment, instead of pondering how this can be beneficial, how to work better, and how to see the world, becoming a Henry Ford, he begins to complain that he is starving to death. But where is his ability to mobilize? Where are his fighting traits?

[Nechiporuk] They are fighting... They are rallying....

[Bunich] For what? For nothing to happen? Against a market economy? They should visit America for a week—their heads would be ready to burst with ideas. I made a small observation—an American is able to convert the most trivial conversation into money. He may have millions of dollars, but eats farina cereal and parsley, thinking how he can earn more. Do you see, this is in the richest country! The outcome of barracks socialism is, Give me a good law on employment, give me everything, but I will wait a while to work! I think the time has come when we must learn to look at ourselves as a whole enterprise.

[Nechiporuk] The term "planned-market economy," seen in some governmental and party documents, is being replaced by another term—"regulated market economy." Why this game of words? Would it not be better to leave, as they say, plan as plan and market as market?

[Bunich] What should be dominant? Centralization or market? If we say "planned-market," then the plan is dominant and market is an additional weight. It is more grammatically correct simply to say market economy, without repeating 100 times regulated, regulated.... Regulation is set into the concept of market economy, and I do not know of a country in which it would be unregulated.

Well, what is under control of the plan? Above all, the economic levers. They include taxes. Let us assume that a strategy has been drawn up to elevate some sector. That means to grant it privileges. Or take amortization policy—it is a powerful tool of technological progress that forces production assets to be written off more quickly and renewed. These are levers that should be in the control of the state. Or take customs policy: If we want capital to come pouring to us, we would create low customs barriers. Or take interest for credit. Assume that we have compiled a plan under which it is desirable to reduce capital investments. What do we do? We increase interest rates, and no one comes rushing for such credit. But who is supposed to be concerned about maintaining the rate of exchange and prestige of currency? The entrance of enterprises into the foreign market could turn into a "Brown" movement. The state strategy regulates it—licensing is tighter in some places and more freedom is permitted in others. Finally, implementation of comprehensive programs—development of fundamental science, defense, space, building cities....

[Nechiporuk] That is all very well, but will the strategy be wise? The course toward a market economy is also a strategy.

[Bunich] On that score, there are two concepts around which two groups of economists have rallied. Immediately take a sharp, abrupt step or move in small steps so, perish the thought, we do not get our fingers wet. I belong to the first. We have been moving in accursed small portions for five years, and they are pulverized like slag.

The first step should be a big one so the old system grunts and says: "I cannot handle it." It will be followed by other steps based on the logic of the progress.

[Nechiporuk] In your opinion, what qualities must the government, the parliament, and the people store up in order to make this jump?

[Bunich] We must all know and be ready to accept a sober, scientific assessment of the current state of the economy. This should be an honest assessment without conformist kinks and without plays to earn false prestige supposedly for the protection of the people.

They are afraid that it will be worse for some. I do not rule that out. A market economy is merciless. Let us imagine that we have it like they do in America. Is it good for everyone there? No, they also have homeless—a favorite topic of our propaganda, and they have failures. It does not matter—everyone is afloat, as they say. Some more quickly—in record time; others more slowly. But there are a few who drown, although there are some even in an ideal market. Fortune passed them by today; tomorrow they smile. Life is not a straight line; it is full of zigzags. The Americans have a saying: Don't put all your eggs in one basket. Get involved in several things; invest in stock in different businesses.

[Nechiporuk] The huge preponderance of hardened money mass over the minimum of goods is depressing. Can this imbalance be smoothed over in the initial stage of market formation, thereby considerably reducing the danger of an increase in free prices?

[Bunich] How to suppress the fury of money? In other words, how to call for "first-aid" and give the economy an "injection"? If one wants, he can find a multitude of quite legitimate ways to coaxing the population of their money without robbing them.

Selling housing, for example, and in a voluntary and not coercive manner. The state not only would receive a huge amount of funds, but would also reduce the budget expenditures for repair. The apartment tenant would make the repairs. It would not be a bad idea to expand construction of inexpensive projects, for example, cottages. Imagine the influx of capital from this! I am judging by America—there more than 70 percent of the population lives in cottages. In general, production of construction materials, it seems to me, is both profitable and quickly set up. These are not Sony tape recorders being put on the production line. This is especially true, since there is granite, sand, and gravel everywhere. The land should also be sold as a lot.

And who is interfering with acquiring enterprises? Submit a declaration of income and buy them! It is time to get rid of the narrow-minded psychology, suspecting any independent person of being a cheat. If he is a cheat, provide him free accommodations, but in another place.

It is not enough to believe that taking large credits in the West will help us. From our foreign partners' point of

view, we are not very reliable. Consequently, they may set high interest, and we will have to pay back \$2 for every \$1 received. I repeat, we have the reserves for "linking" money to goods in our own country.

[Nechiporuk] The process of doing away with state ownership began with the USSR Supreme Soviet's passage of the "Fundamentals of Legislation of the USSR and Union Republics on Leasing." So far, however, leasing is making slow progress. There are not more than 100 industrial leasing collectives in the capital. What do you think, is it that there not many who wish to become collective owners or that there are many who wish to prevent this?

[Bunich] There are more who wish to become owners than those who do not let them hunt for this clearing. Of course, there is the problem of awakening people. But it can be resolved—we should study the experience of our neighbor and how his very eyes light up. It is more complicated to overcome obstacles caused by bureaucracy and dogmatism. And it is not at all for certain that the bureaucrat is an employee of a ministry of the Council of Ministers. If some plant director resists, nothing will move without him.

[Nechiporuk] Pavel Grigoryevich, your name is closely linked to the ideas of leasing. It is probably not by chance that it was you they elected as president of the Union of Leaseholders and Entrepreneurs of the USSR. Specifically, how can this union help?

[Bunich] It was by chance that they elected me president. The organizers of the constituent congress of leaseholders, where this took place, did not foresee such a change. And it was not by chance, apparently, that since that time some of them have been upbraiding the Law on Leasing in every way.

There probably are no perfect laws. However, through the leasing phase collectives were given the opportunity for the first time to redeem a production facility, joining "free-style shooters" or entrepreneurs. This, believe me, is not the worst road to take out of the state sector, which not everyone is able to take immediately. Masses of people turn to us complaining about the methods of fighting them that are becoming tougher.

Let us assume that a structural unit having the rights of a juridical person decided to leave an association. They find out about it "upstairs" and in an instant it is given the status of an ordinary shop. The director was lost in daydreams about leasing—he is removed and replaced by one who will never think about this topic. The leaseholders are threatened with being deprived of material and technical supplies and equipment. Their limits on housing are cut. Why, you ask? If everyone runs for leasing, the higher apparatus will have to think about its position in the future.

An individual leasing enterprise is quite powerless. A union is strength. In the future we are planning to create our own legal service—we have invited the "first team"

of outstanding economists who will take on legal protection of leasing collectives. The first congress of the Union of Leaseholders and Entrepreneurs of the USSR is scheduled for June. Those who desire can direct questions and suggestions by telephone: 297-93-19 or 198-13-37.

[Nechiporuk] The idea of a socialist market is often ridiculed as utopian; the idea of a capitalist market is rejected. It may be done out of a lack of understanding or out of a conscious desire to carry it away into political dogma. As a scientist and economist, you are probably often asked a semi-political question: Is not the transition to a market economy a return to capitalism?

[Bunich] As you remember, Lech Walesa stated that Poland would be the first socialist country to return to capitalism. That unfortunate statement plays into the hands of some people.

Let us examine this. Aren't we really going away from socialism? One must lack memory and critical thinking to state that our life is socialism. What is it? Is it that social ownership is alien for each person? Is it that people can be forced to work on it only under a machine-gun? It is surprising, but entire movements are being formed to protect such (!) socialism.

If what we have is not socialism, then where are we going? Is the entire world really rushing toward capitalism? If there is free and good public health there, and free education, and people live well, and there is political freedom, and a culture of this freedom. I do not think there is socialism in any country, but many countries are headed there, and faster than we are going. I do not know who or how, but I understand socialism as the only future happiness taking in values common to all mankind.

Are we capable of achieving such socialism? Yes. A country in which unique riches and a high intellectual potential are concentrated is not doomed and not hopeless. Of course, we are standing on the old economic bridge, but it responds quite well to reconstruction, by peaceful means without any assaults and explosions.

Conditions for Transition to Market Economy Cited

904A0258A Moscow *EKONOMIKA I ZHIZN*
in Russian No 11, Mar 90 p 6

[Interview with Doctor of Economic Sciences Ye. Yasin by V. Prokhvatilov: "On Approaches to the Market"; date, place, and occasion not given]

[Text] Readers' mail brings us more and more letters with questions about the prospects for the development of the national economy. As is well known, economic reform should lead to the establishment of a planned-regulated market economy. However, the market itself is understood today differently. What is a market? Doctor of Economic

Sciences Ye. Yasin, department head at the State Commission on Economic Reform of the USSR Council of Ministers, discusses this.

[Yasin] A market economy is an alternative to the administrative command system. However, many people still hope that it is possible to get away from it, introducing cost accounting and leasing and continuing the centralized setting of prices, normatives, and so forth. Practice has shown that, along with the regulation of social and economic parameters from the center, some self-regulation forces are needed. They are the specific feature of the market.

[Prokhvatilov] It is often said in our country that the economy will rise if enterprises become independent. However, this is not enough. In order that an independent enterprise may also operate in society's interests, a certain economic environment is needed. This is the market. What does it represent?

[Yasin] An independent commodity producer, who bears full economic responsibility for his actions, is the main character here. He operates at his own risk and pays for incorrect decisions from his own pocket. If the state begins to insure him, what the famous Hungarian economist J. Kornai called "soft budget constraint" appears. The commodity producer's economic behavior becomes distorted and the market disappears.

In order that the market may be self-regulating, competition among commodity producers is needed. It is precisely the mover of technical progress and the strongest means of lowering prices and meeting consumer demand. Of course, competition should be placed within an economic, legal, and moral framework. Business ethics must be observed, otherwise there will be the law of the jungle.

Free prices represent another market condition. This is the prerequisite for a normal operation of the law of value. Of course, in any market economy there is a group of prices regulated by the state. Usually, their share does not exceed 10 percent.

And the last thing that the market needs is a stable monetary system. It should obey all the laws of monetary circulation. Otherwise a market is impossible.

In addition to economic prerequisites, social prerequisites for the functioning of the market are also needed. If society is disposed toward wage leveling and if people live in expectation that someone will present to them all of life's blessings, this is a serious obstacle to the development of a market economy.

Of course, market self-regulation should be supplemented with state regulation—through prices, taxes, credit, and state orders—primarily for social purposes.

[Prokhvatilov] Undoubtedly, the idea of a market economy is attractive. However, as classics said, any idea immediately disgraced itself if an attempt was made to realize it without due regard for or contrary to material

interest. In your opinion, what social forces are interested in the formation of a market economy?

[Yasin] First of all, I would single out those whom we call business managers, but it is more correct to call them entrepreneurs. Today public opinion has a negative attitude toward them. We have become used to obedient administrators, not to business-like people with initiative. Meanwhile, the market is impossible without such people. It is precisely their energy and enterprise that, first of all, can pull us out of the economic mire.

Another prejudice is no less enduring: The working person does not need a market, because in a market economy the working class will lose its status as leader and its position will worsen, for it will become an object of exploitation. This is totally incorrect. Under the administrative command system all the strata of the population, primarily the working class, suffer from the shortage of goods. The working man is a leader only in word—in deed he has been waiting in line for an apartment for 20 years. And how is his heavy labor remunerated? For example, textile workers perform monotonous and exhausting work for 200 rubles per month.

The working class is the social force, on which *perestryoka* should lean primarily. The arising difficulties are connected with the special features of the transitional period, not with the normal functioning of a market economy.

[Prokhvatilov] In what do these difficulties lie and how, in general, will the transitional period proceed?

[Yasin] The point is that a unique, extremely monopolized economic structure, which has no analogs in world practice, has been formed in our country. Along with this the amount of money greatly exceeds the amount of goods. Therefore, it will be very difficult to create conditions for a normal operation of the market. The burdens of the transitional period are inevitable and, if we are unable to organize an effective social policy, owing to the necessary rise in prices, primarily badly-off strata of the population will be in an oppressed situation.

Many people now criticize the government program for improving the economy and propose an immediate introduction of market relations, at the same time, referring to the experience of socialist countries. But socialist countries began the transition to the market in very different ways. Hungary, where this process occurs smoothly, without sharp leaps, has achieved the greatest success. Therefore, Hungarians have managed to avoid outbreaks of excessive inflation and aggravation of social tension.

In any case an immediate transition to the market would cause a rapid rise in prices. This would require the payment of compensation to the population. As a result, an inflationary spiral would begin to uncoil, as happened, for example, in Yugoslavia. Poland's experience is especially significant in this sense.

And so, attempting to establish a market economy in a short time, we can fall into a period of protracted galloping inflation. It will be very difficult to get out of it. The government chose another option: First to stabilize the economy. That is, with all possible means to remove social tension and to saturate the consumer market; figuratively speaking, at first to calm the patient and then to perform surgery on him.

It should not be thought that, as soon as the period of stabilization ends, the market will appear right away. There are no miracles in the economy. According to the government program, a rapid development of market relations will begin in 1993. The share of directive planning, state orders, and ceilings will begin to decline and by the end of the five-year plan will make up no less than 30 percent of the total volume of output. The rest will go through the market. It should be kept in mind that, the bigger the share of the market, the more rapidly prices are stabilized and a normal economic turnover is established.

We are also not ready to immediately throw ourselves into the market element, because now we do not have the necessary economic institutions: tax and bank systems and appropriate legislation. Furthermore, the market is impossible under the monopoly of state property—it is necessary to travel the road of "degovernmentalization" of the economy.

[Prokhvatilov] What are the main tasks of the transitional period?

[Yasin] First of all, financial normalization—a sharp reduction in budget expenditures, limitation of the volume of monetary mass in circulation, and stabilization of the ruble. It is extremely necessary to create an efficient system of social support for the population. In the present state of affairs the people will not accept a rise in prices. They need a compensation system they can trust. When it is established, it will be possible to develop the market. It is a matter of income indexing, when the population, especially its badly-off strata, is compensated for the rise in the cost of living. There is also a need for a system of job placement and allowances during a stop in work. All this will make it possible to suppress conflicts and to avoid social explosions. There is a need for a program of antimonopoly measures for the development of competition, which includes antimonopoly legislation and a plan for the deconcentration of production and development of small enterprises.

Legislation Needed To Regulate Stocks, Bonds

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in Russian No 11, Mar 90 pp 6-7

[Interview with I. Kitaygorodskiy by L. Korotkov: "Where To Buy Shares?"; date, place, and occasion not given]

[Text] Our newspaper has already reported in detail about shares and the first shareholders to readers in one of last

year's issues (*EKONOMICHESKAYA GAZETA*, No 27, 1989). However, time does not stand still. Developing economic relations demand a sound financial market regulated by special laws. How does its formation occur? And, having bought shares, will we and you soon be able to become true shareholders, about whom we have only read in "Western" literature so far? Our talk with I. Kitaygorodskiy, chief of the Credit Department of the USSR Ministry of Finance, began from this question.

[Kitaygorodskiy] About 200 joint-stock companies function in our country. However, before talking about them and about who can become shareholders and under what conditions, I would like to explain in brief: Why is a financial market needed at all and what does it represent?

[Korotkov] Judging by the editorial mail, this question is of interest to many of our readers.

[Kitaygorodskiy] The presence of available monetary assets of enterprises and the population is the economic basis for the establishment of the financial market. As is well known, about 340 billion rubles of the population's savings are now in the Savings Bank. Money in accounts of enterprises totals approximately 110 billion rubles. Under conditions of the market economy some of these monetary assets become the object of purchase and sale. After all, many enterprises need additional resources for the solution of production and social problems.

However, this is not yet everything. The financial market is supplemented with the market of credit resources. At present, along with state banks, more than 250 commercial and cooperative banks function. Their statutory fund approaches 4 billion rubles. However, credit investments of commercial banks can exceed their statutory fund 20-fold and of cooperative banks, 12-fold. As we see, these banks' possibilities to purchase and sell credit resources are highly tangible.

In brief, a sound financial market is being formed in our country.

[Korotkov] However, the population also had accumulations in the savings bank and enterprises had funds in accounts before. Yet we managed without shares...

[Kitaygorodskiy] Quite correct. Today, however, the economy is different in many respects. Whereas in the past vertical ties (enterprise, main administration, and ministry) dominated in it, at present horizontal ties directly among enterprises acquire ever greater importance. How was it earlier? An enterprise needs money. It turns to its main administration and the latter, to the ministry. The latter redistributes funds among enterprises subordinate to it, that is, takes away from some and transfers to others.

Today vertical ties, essentially, have been destroyed. Enterprises receive ever greater independence, including in the disposal of monetary assets. They themselves decide how to use them most profitably: To invest them

in the development of their own enterprise, or to transfer them to another enterprise for pay. That is why securities—stocks and bonds—are needed.

[Korotkov] As I understood, the first steps in the development of the financial market have already been taken.

[Kitaygorodskiy] Yes, and spontaneously in many respects. What do I have in mind? Enterprises have begun to issue securities spontaneously in the beginning of 1988. Strictly speaking, these were not stocks, but to a greater extent bonds. They did not give their owners the right to vote in matters of enterprise management and the income from them was fixed. However, it is significant that the process of emission of these securities began below and was brought about by life itself and not by orders from the ministry.

In order to somehow regulate the issue of securities, in October 1988 the USSR Council of Ministers adopted the decree "On the Issue of Securities by Enterprises and Organizations." In accordance with this decree enterprises were permitted to issue two types of shares: shares of the labor collective and shares of enterprises.

Shares of the labor collective are floated only among people working at an enterprise. At the beginning of the year they were issued in the amount of about 200 million rubles. Dividends on these shares are paid from the enterprise's material incentive fund (the wage fund). Thus, the fund's resources determine the upper limit of the dividends on shares.

With regard to shares of enterprises, they are intended for floating among juridical persons—enterprises and organizations. As I have already said, these securities are of the nature of shares only externally and, therefore, their emission does not change the status of an enterprise—it does not become a joint-stock company.

[Korotkov] Yes, but the state also issues securities. This year they will be issued in the amount of 75 billion rubles. Some special "commodity" bonds will be issued.

[Kitaygorodskiy] You are not mistaken. In fact, three types of securities are to be put in circulation this year.

First of all, a state 5-percent internal loan in the amount of 60 billion rubles. Its aim is to cover the state budget deficit. It will be floated only among state and cooperative enterprises and public organizations. Of the total amount the USSR Government issues 49 billion rubles and councils of ministers of Union republics, 11 billion. It will be possible to purchase bonds in banks.

Securities of the second type, which will be issued this year, are treasury bonds—also with an annual interest of 5 percent. They are intended for sale to the population and will be sold through the USSR Savings Bank. They are to be issued in the amount of 15 billion rubles.

Finally, securities of the third type—an interest-free commodity loan for a specific purpose. In essence, this is not even a loan, but state obligations to the population,

which buys bonds, to issue goods against them in 1993. Motor vehicles, motorcycles, refrigerators, furniture, television sets, and so forth will be offered for sale—a total of 16 types of goods worth 10 billion rubles.

There is a great deal of excitement in connection with these bonds right now. Therefore, I would like to say right away: They will be floated only through labor collectives, which will submit lists of people who want to buy these bonds to the Savings Bank. Savings bank institutions will sell them to citizens.

[Korotkov] But if this loan is so popular, why should its amount not be increased? For example, bonds worth 20 or 30 billion rubles, not 10, should be sold. Incidentally, some economists propose this.

[Kitaygorodskiy] Of course, the idea of "tying" a little more "hot" money in this way is tempting. However, we must also think about the future. After all, it can turn out that in 1993 there will be nothing to trade with: All the enumerated goods "will be issued" against the bonds sold to the population today.

[Korotkov] If, probably, problems are not foreseen in the sale of the latter type of loan, how will matters stand with respect to the two former ones? Is there confidence that it will be possible to sell bonds for such a substantial amount?

[Kitaygorodskiy] Yes, I have such confidence. On what is it based? With regard to enterprises, I believe that it will be more comfortable for them to lend the state available monetary assets and to receive a guaranteed annual interest of 5 percent on them than to give this money to a commercial bank, or to invest it in the shares of other enterprises, not having firm guarantees to receive interest on the invested money or even to get it back. It will be possible to receive a loan in the bank against the security of these bonds. Furthermore, we must not forget that it will be possible to sell the purchased securities at any time—in the future, through an exchange and, as long as it does not exist, through banks, which will gather information on people who want to buy and sell bonds. I think that not only enterprises, but also commercial banks, will become interested in the new type of loan and will buy some of the bonds.

I am confident that the new loan for the population will also be popular. After all, today the Savings Bank pays an annual interest of 2 or 3 percent on deposits. But the annual income on bonds will total 5 percent. You see for yourself whether the purchase of a treasury bond, which, moreover, one will always be able to turn over to the bank and to get the money back, is advantageous.

[Korotkov] So, i. can be considered that the basis for a securities market has already been established?

[Kitaygorodskiy] I think that such a conclusion is still premature. After all, this market is based on sound joint-stock companies, which are only beginning to be

established in our country. Their functioning requires appropriate legal support. It has been developed: The USSR Ministry of Justice jointly with the USSR Ministry of Finance and the USSR State Bank submitted to the Council of Ministers drafts of provisional statutes on joint-stock companies and securities. These documents regulate the procedure of establishment and activity of joint-stock companies, the rights and duties of shareholders, the types of circulated securities, and so forth.

[Korotkov] However, why a provisional statute and not a law? After all, it is a matter of the basic document regulating the most important part of economic relations under market conditions.

[Kitaygorodskiy] You, of course, are right. However, the development of provisional statutes by no means signifies an underestimate of the economic relations new for our country. Simply, at first it is necessary to adopt our main laws: the Law on Property and the Law on the Socialist Enterprise. However, time is pressing. After all, we have already established many joint-stock companies, which function without a legal basis. Therefore, it was decided first to approve provisional statutes and then, appropriate laws.

[Korotkov] Many of our readers ask: Do we need joint-stock companies at all? Is their establishment not a tribute to fashion, a blind construction of the economy according to the Western model?

[Kitaygorodskiy] What can be said? I would only like to emphasize that joint-stock companies have been brought about by life itself. They have not been "planted" on orders from above. This is fully explainable. As I have already noted, the narrowing of vertical ties in the national economy and the development of horizontal ties are the main reasons. The latter can be of two types: organizational (in the form of establishment of associations, concerns, syndicates, and so forth) and financial (pooling of monetary assets in the form of joint-stock companies). Precisely the latter gain ever greater popularity. Enterprises retain their independence, but invest temporarily available monetary assets in the development of production, in which they are interested as consumers or subcontractors. A joint-stock company is formed.

Thus, most joint-stock companies in our country have been established for the production of building materials. To solve construction problems in cities, rayons, rural areas, and so forth is the purpose of their establishment. Therefore, local soviets, not only enterprises, are shareholders. I think that joint-stock companies have big prospects.

[Korotkov] And if a joint-stock enterprise needs funds and wants to sell shares? A secondary securities market will appear. Consequently, an exchange will be needed.

[Kitaygorodskiy] Yes, the particular feature of shares is that they cannot be returned to the joint-stock company. The money obtained from their sale is already invested

in equipment, raw materials, supplies, and so forth. Therefore, shares can be resold only to a third party—to a juridical or physical person. A circulation of securities and a market, on which they will be sold and bought, appear. In other words, the establishment of an exchange will be needed. However, this will happen only when thousands of joint-stock companies appear in the country. If an exchange is open today, no one, except sightseers, will be there.

Centralized, Administrative Management Hinders Conversion Program

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in Russian No 4, Apr 90 pp 58-66

[Article by Boris Varisovich Salikhov, candidate of economic sciences, lecturer in the Military Political Academy imeni V.I. Lenin: "Conversion: Retrospective and Prospective"]

[Text] The INS Treaty and the immense shifts that have been outlined in disarmament have really brought about practical accomplishment of conversion in our country. The search has begun for ways of making the most effective civilian use of the research and production capacities of the defense branches of the economy that have actually become available and are planned for availability.

However, as noted at the conference in the headquarters of the CPSU Central Committee on problems of further development of the economic reform and during many scientific conferences and discussions, conversion is not being carried out in our country as well as it might be, the defense ministries are trying to get by "with little bloodshed." This can be seen in the very poor selection of nonmilitary goods scheduled for production, in their technical level, which is inadequate, while their value is at the same time high, and in the technological separateness of the defense and civilian sectors of the economy, which has been retained.¹ This article is devoted to an analysis of certain reasons for this situation and the prospects for eliminating them.

For Us, This Is a First Time

Conversion refers to the process of the transition of the weapons industry, military production, to the manufacturing of products for civilian purposes. By virtue of its content, this process signifies a planned change of the proportions in distribution of resources of all kinds between the nonmilitary and military spheres of the economy and an interrelated set of corresponding financial-and-economic, organizational-and-technical, social welfare, and other measures.

We can speak of conversion as a military-economic phenomenon only if the objective conditions obtain for carrying it out, above all the material conditions. It is accordingly important to emphasize that for a long time the very level of development of the productive forces

and of military production in our country did not afford the possibility of examining conversion from the practical standpoint.

Quite often conversion is treated incorrectly because its objective foundations have been underestimated. For instance, frequently it is equated either with reduction of the numerical strength of the armed forces or with reduction of defense expenditures in the budget, and so on. We cannot agree, for example, that the first major conversion in the Soviet era was carried out in the period 1920-1924.² The conversion in that case simply amounted to a reduction in the strength of the armed forces, even though it was a very substantial reduction to one-ninth of the previous level. But reduction in the size of the armed forces can figure only as a condition favorable to conversion, since it is the weapons industry that gets converted. At the outset of the twenties, our country's productive forces, which had been razed to the foundations, were as a practical matter not producing in the required amount even the simplest types of weapons (there was no production of tanks and airplanes at all). The output of those several military enterprises which had somehow continued to operate did not meet the needs of the Red Army, although its strength had been reduced from 5 million to 652,000 men.

The task in that period was rather the reverse: to build a powerful defense industry by developing the heavy sectors of the economy and as a consequence supply everything necessary to the armed forces. That task was being performed over practically the entire postrevolutionary period all the way up to the beginning of the war. During the actual war years, the defense industry expanded by leaps and bounds, it was bolstered on the one hand by new construction and reconstruction of defense enterprises and on the other by units of the civilian sector of the economy that were converted to military production. By the end of the Great Patriotic War, the armaments industry, which had reached a gigantic scale, included the sectors of military production proper and a greatly weakened civilian sector, as well as an overcentralized system for management of the country's economy. In that system, the military-industrial complex (VPK) occupied a monopoly position. In my view, the need to carry out conversion was more than obvious: Under the conditions of rigid administration from the center and the monopolism of the military-economic departments, the civilian sector was transformed from a foundation of military production to an appendage of it that in many respects was not independent. Decisive measures were needed for fundamental change of the situation, but they were not adopted. There were no structures in society that were both interested in conversion and possessed real economic and political power.

We should note that whereas after the Civil War and foreign military intervention there could not have been conversion in our country, since the armaments industry, the sector that undergoes conversion, did not for all practical purposes exist, following World War II, on the other hand, conversion was not carried out for the

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diametrically opposite reason: the defense sector of the economy, I repeat, was hypertrophied, and its management was overcentralized. Under those conditions, there objectively could be no protagonist of conversion, and the expanding civilian sector remained as before under the dictate of the VPK.

The objection can, of course, be made that following World War II conversion was impossible for other reasons: the beginning of the Cold War and the struggle to eliminate the nuclear monopoly of the United States, which afterward grew into the struggle to achieve military-strategic parity. What is more, in the context of the scientific-technical revolution all energies and resources had to be concentrated along the key directions and programs for economic development on which the country's defensive might ultimately depended. What did we care about conversion? But all of these circumstances still cannot serve as any justification for the civilian sector of the economy remaining on "short rations." And we utterly fail to understand why our military preparations continued with the same intensity even after military-strategic parity with the United States had been achieved. After all, its achievement should have been a turning point in the development of our military production and the beginning of conversion. But this did not occur, and the main reason was that the political leadership and the bodies of government and military-economic administration proved unable to evaluate in a new way the situation in the country and in the world. As a consequence, we began to produce weapons and military equipment over and above what was necessary to guarantee the country's security. Thus, conversion in our country has never previously been carried out. The conversion of defense enterprises to the production of civilian products at the end of the forties and at the beginning of the sixties cannot be looked upon as conversion. First of all, it was accomplished within the framework of the previous system of priorities, in which military-economic tasks unconditionally dominated civilian purposes; second, it was conducted without a plan, without taking into account the economic interests of the work collectives of enterprises; third, it was essentially reconversion, since most of the enterprises were simply being returned to the previous list of non-military products they produced; fourth, the process about which we are talking was accompanied by the construction of fundamentally new defense production operations equipped with advance technology.

We are at least 4.5 decades late with conversion. Today's difficulties and problems can largely be explained by the fact that we have no experience in carrying it out.

The Militarized Economy, or What Kind of Conversion Do We Need?

Most of what is written has to do with the conversion of military production. Yet it seems that what gets converted is something broader: It would seem more appropriate to use the term "national economic conversion." The transition to a civilian economy necessarily affects

not only individual enterprises and spheres of the country's defense complex, but the national economy as a whole. The macroeconomic and microeconomic levels of the implementation of conversion measures should be distinguished. Whereas at the microeconomic level it is specific military production units that undergo conversion, at the macroeconomic level it is the country's militarized economy as a whole. An economy can become militarized not only in wartime, but also in peacetime if the VPK occupies a monopoly position in society, and total military-economic needs are so diverse and great that efforts of the entire economy are required to meet them. In this case, the danger of going beyond the objectively permissible limit of the growth of defense expenditures and of undermining society's economic potential arises and is constantly reproduced. It is this very situation that we now observe in our country.

Of what does our militarized economy consist? What are its features?

First, the very structure of the country's economy is characterized by a vividly pronounced military-economic orientation. First of all, it contains an immense sector encompassing the branches of military production. This includes numerous enterprises making weapons and military equipment, machines and equipment for their production, and also consumer goods for the personnel of the defense industry.

As for the branches producing products for civilian purposes, in one way or another they are all subordinate to military production. The present economic mechanism (it would evidently be more correct to speak of the military-economic mechanism) distributes and redistributes money and resources in such a way that priority in development goes to those spheres and directions which have importance to defense. This is mainly achieved by means of the present pricing system, whereby resources intended for development of industrial branches in Group B, agriculture, and the nonproduction sphere are "siphoned over" into the branches of heavy industry and the defense industry.

Second, immense amounts of resources of all kinds are consumed by the militarized economy to meet military-economic needs. For example, one-third of the entire work force employed in the extractive and manufacturing branches works at enterprises of the VPK (approximately 13 million persons).³ We also have to bear in mind that products for military purposes are being produced by science-intensive production operations using expensive equipment and exceptionally highly qualified manpower. Three-fourths of all budget appropriations for scientific projects are used for military research purposes⁴ and the like. In view of our essential lag behind the United States in the level of labor productivity and the efficiency of labor, and that also applies to military production, it can be said that to maintain military-strategic parity our expenditures in

terms of personnel, money, and scarce resources have to be between three and four times as great as those of the Americans.

There is another circumstance, one which reveals more fully the extent of our defense expenditures, to which I would like to call attention. We know the present (1989) level of military expenditures: 77.3 billion rubles. But in the present pricing system the prices of products for military purposes are often set even below the production cost. Which distorts the real magnitude of the costs of production of a number of military commodities.⁵ If we calculate more objectively the expenditures to acquire weapons and military equipment, including in the price for products for military purposes not only the portion of the production cost previously taken into account, but also the proposed cost-accounting income of the work collectives of defense enterprises (which at present they are not receiving), then the real outlays to meet the needs of defense considerably exceed the figure given above. Unfortunately, even our parliamentarians do not have reliable information about the real outlays even for the principal types and models of weapons: Soviet-manufactured surface and underwater vessels for military purposes under construction or already put in service, intercontinental missiles, strategic bombers, etc. At the same time, data of this kind on the weapons and military equipment of the NATO countries can be found in many reference books and statistical handbooks, which are freely sold in the bookstores of those countries.

Third, our militarized economy is characterized by the dominant position which the military-economic departments have in society. The specific nature of the needs of defense and the orientation toward satisfying those needs first of all have turned our VPK into a structure that stands far "above" the civilian branches. It could not have been otherwise when the defense sector of the economy has been developing and is continuing to develop in the framework of the administrative system that is in place. It is that system that has given the military-industrial complex the position of a monopolist in society, and the VPK in turn has been helping to reinforce that system even more.

The monopolism of the VPK is the most important feature of the militarized economy. It is manifested not only in the indisputable right to obtain all that is best from society, but also in the extension of secrecy over everything that falls in its "sphere of influence." And although as many as 100,000 sets of scientific-technical documentation⁶ are delivered every year from the military sector to other branches of the economy, the general level of the economy's civilian sector, which has literally been put in a desperate situation, does not always allow for organizing the production of science-intensive products. This is because of the generally huge technological gap behind military production and because of the shortage of highly qualified specialists.

Fourth, the militarized character of the economy generates a train of adverse consequences. One of them is that

the civilian sphere of the economy is not merely experiencing a scientific-technical and technological "starvation," but, by turning over to the defense complex everything that is best, just as before, it has been losing incentives for its own development, and has been turning into a "hereditary estate" of the defense production groupings. Evidence of the widening technological gap between the civilian and military sectors of the economy and of the uncompetitiveness and loss of internal incentives for development of most of the branches of nonmilitary production is to be found, specifically, in the fact that practically all science-intensive and expensive products intended for the consumer market are being produced at defense enterprises. This diversion of personnel and resources, incidentally, is weakening the defense sector of the economy itself.

Another of the adverse consequences is the growth of stagnant tendencies within the defense complex. Neither technological monopolism nor the immense resources and amounts of money obtained without labor offer salvation. The reason is that the economic mechanism that is now in place here prevents the generation of motivation of workers and work collectives of defense enterprises to do highly productive work.

So, we have to carry out conversion of the entire economy. When we say national economic conversion, we evidently should be thinking of an interrelated set of macroeconomic measures to convert the country's entire economy to a peacetime footing and for demonopolization of the military-industrial complex. We should emphasize that conversion at the macroeconomic level is an indispensable condition of its high effectiveness at the level of individual branches and enterprises of the defense complex as well. The transfer of successive groups of enterprises to the civilian sphere, however well-thought-out and successful it might be, will not solve the problems of conversion in principle, since it does not eliminate the subordination of the nonmilitary sector to the military-industrial complex. We must in essence talk about a military-economic reform, whose principal task is to eliminate the monopoly position of the VPK and to free the civilian sector of the economy from its dictate. In addition, this kind of reform must also presuppose fuller use of commodity-money relations in all spheres of the economy.

It is important to emphasize that by no means are we talking about weakening the country's defensive capability, nor of cutting back military production. On the contrary, national economic conversion will speed up the development of the general economic base of the country's defense and ultimately strengthen its defensive might.

Why Is Conversion "Spinning Its Wheels"?

The disassembly of the armaments industry has nevertheless begun, although at present it is progressing sluggishly, with difficulty, and only under pressure from the

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central leadership. The "reluctance" of the defense complex to become part of the process of conversion, the "spinning of its wheels" result not only from the factors we have already noted (lack of experience, the need for conversion at the macroeconomic level), but also from essential miscalculations in solving this problem.

It should be emphasized first of all that conversion in our country is being planned and carried out in very short periods of time, that is, it is "rapid" in nature. What is more, we have neither thorough theoretical elaborations, nor a conception, nor national economic plan for conversion that have been thought through in all respects, a fact "favored" to no small degree by the practically complete absence of information about the domestic defense industry. What is more, without having taken another serious step along the road of carrying out the measures of conversion, we have already begun to divide up the resources supposedly being made available as the armaments industry is converted to manufacturing civilian products. It would not be a bad idea to think about the fact that conversion itself requires very sizable expenditures for its implementation.

To illustrate: In Sweden, it took 3 years (1981-1984) just to draft the national plan for conversion. Scandinavian experts did not begin by dividing up the resources they assumed would be made available, but by taking a detailed inventory of the military industry, by thoroughly investigating the specific nature of military technologies and their applicability on the civilian commercial market, by studying the occupational and skill structure of employment in the branches of military production, etc. Possible difficulties of conversion were analyzed, a search was made for "niches in the market" for alternative civilian products. But the main thing is that the approximate costs of carrying out the measures of conversion were first determined, and only then was a determination made of the supposed advantages and gains. Sweden's scientists believe that conversion takes time and considerable outlays, especially in the transitional period (the period of the actual conversion of defense production operations to the manufacturing of civilian products). In their opinion, it takes at least 10 years just for the production of nonmilitary products to begin to show a profit at such enterprises.

But there are reasons of a more profound character, reasons that not only explain why conversion is being held up in our country, but which also condemn it from the very outset to low effectiveness, if not to utter failure. The reason is that in the context of the radical economic reform that has just barely begun, the only possible conversion is "from above," that is, one that is carried out directly. Here, the authority to solve any of the problems of conversion at both the macro-and microeconomic levels is vested exclusively in government administrative agencies. The state uses noneconomic methods to compel defense enterprises to convert to the manufacturing of civilian products, the list of which is also determined by the center. This coercive conversion can

never be effective, since the work collectives themselves at those enterprises are not active participants in it under those conditions.

Experience shows that the opposite extreme, i.e., carrying out conversion mainly "from below" while the center has a passive role, does not recommend itself either. That is predominantly how conversion was carried out in the postwar years in the Chinese People's Republic. It was not distinguished by high effectiveness, since the converted enterprises were almost deprived of any state support, and their workers did not receive the necessary guarantees of their social protection. As a consequence, cases of utter bankruptcy of enterprises that had been converted were not isolated instances.

World practice, and indeed the logic of the economic reform being carried out in the USSR, suggests: without an optimum combination of the principles of centralization and decentralization in organizing and carrying out the measures of conversion, we should not count on their having good results. The role of the state must be to bring about favorable economic conditions for the activity of conversion "from below," of adopting the relevant normative acts, of extending real aid to enterprises undergoing conversion, and so on. But such matters as choosing the alternative civilian product, establishing commercial and other relations with other enterprises, disposition of the income gained, and so on, must be the prerogative of the work collectives themselves. As a matter of fact, who better than the workers themselves will be able to appreciate and utilize their own production capacities, intellectual abilities, technology, the skill of personnel, and the specific economic features of the region? The state is called upon to stimulate the process of conversion, imparting to it the necessary orientation, but not interfering in the operational economic activity of enterprises. It would seem that this form of conversion is the most acceptable, since it fits logically into the "tissue" of the economic reform we are carrying out.

Conversion, Reform, and Ownership

Conversion should be examined in the context of the radical economic transformations being carried out in our country. It is important to bear in mind that without democratic production relations both in the economy at large and also in its defense complex, the only possible form of conversion at enterprises of the VPK can only be conversion "from above." That is why perestroika in the sphere of military production of the nucleus of production relations—property relations—is today the main condition for motivating workers and work collectives of defense enterprises not only to modernize their own military production operations, but also to gradually convert them to the manufacturing of products for civilian purposes. In short, we need an economic mechanism that generates "initiative for conversion from below" and a motivation of work collectives to obtain both economic independence and also completely guarantees for the social protection of workers (to replace the

privileges they have lost and which were dependent upon their belonging to the defense complex).

The criterion of the quality of conversion's performance at all levels is its socioeconomic and environmental effectiveness. Conversion of enterprises in the military sector of the economy to manufacturing products for civilian purposes must not be accompanied by a drop in the standard of living and qualifications of their workers, by a drop in the general technical-and-economic and technological level of production, nor by damage to the environment.

Objectively the type of conversion being carried out in the USSR cannot be effective if it is evaluated from the standpoint of long-term social goals and interests, not from those of the present moment. The degree of success of conversion should be determined from the contribution of yesterday's defense enterprises to solving the general problem of restoring the country's economy to health and on that basis achieving high results from the standpoint of the national economy. We cannot allow civilian products of the most mediocre quality to be manufactured instead of science-intensive, technologically complex, and technically improved military products. But it is this trend that has already become predominant, unfortunately, throughout our entire activity of conversion. Consequently, to begin the actual conversion of defense enterprises to the manufacturing of civilian products before the basic measures of the radical economic and military-economic reform have been carried out is to condemn oneself to a socioeconomic effectiveness of conversion known to be low.

How effectively is the state form of social ownership being exercised within the limits of military production? In spite of having a better technical-and-economic base and manufacturing wherewithal, a high skill level of the work force, a strong scientific potential, and unhindered supply of scarce resources from the state, the activity of the VPK is just as ineffective as operation of enterprises in the civilian sector. Integral economic indicators of its performance correspond approximately to averages for the USSR national economy and fall far short of corresponding indicators of the advanced capitalist countries.

The main reason for this situation is in our view the absence of effective forms for the exercise of socialist ownership in the military sector of the economy. This is manifested in the fact that economic methods of carrying on economic activity are used to a still smaller degree than elsewhere. The fictitious prosperity of the VPK is achieved mainly by pumping in here the best resources of society, advanced technologies, and so on. The economic "motivation" of the workers is at times maintained with injections of state resources, relatively high salaries, and certain benefits.⁷ Under those conditions, economic realization of ownership is quite clearly a reflection of dependency; that is, the worker who is the "owner" of the socially owned means of production and the product created exercises his "right" of individual ownership by obtaining guaranteed remuneration of

labor that for all practical purposes is independent of its results. That being the case, can the work collectives of defense enterprises be motivated to achieve high effectiveness of conversion? Indeed, they do not even know (nor is it their fault) what normal motivation is, motivation based not on dependency, but on enterprise!

Improvement of economic relations in military production and their democratization constitute a prerequisite for effective conversion in the future. In this case, we can speak about so-called "potential conversion," about forming the susceptibility of defense enterprises to the measures of conversion at the socioeconomic level. As the workers of defense enterprises are transformed into real owners and disposers of pieces of property, as the processes of commercialization develop in the branches of military production, work collectives also become more responsible for the efficiency of economic activity. This would be promoted to the greatest degree by developing leasing relations or other forms of cost-accounting relations that are the most advisable in each specific case. But leasing relations and cost accounting are impossible in the defense complex unless the prices of goods for military purposes are made objective. This requires above all carrying out the reform of pricing, specifically making provision for application of contract and market prices on goods for military purposes within some limits. This will obviously increase substantially specific military expenditures in value terms, but it will not signify a rise of real inputs of resources for defense. In my opinion, it is not possible to begin to convert specific enterprises in the military production grouping without creating an entrepreneurial mechanism in that sphere for the exercise of ownership. Otherwise, it will be impossible to make optimum use of what still is the immense scientific-technical and technological potential of the defense branches in the interests of the entire economy.

It is in the actual course of conversion that the process of democratization of property relations and elimination of the facelessness of ownership will develop further. In my view, conversion of any particular military-economic unit must conclude with a change (assuming this is economically advisable) in the form of ownership and with creation of an effective mechanism for exercising it. In each specific case, of course, a clear determination has to be made as to what product the converted enterprise will produce and where it will be sold. If, for example, an enterprise is converting entirely to the manufacturing of civilian products, but will be manufacturing them as before under the state order or will become a center for some kind of pilot product operating for the future, then in this case it is advisable to preserve the state form of ownership and go no further than applying up-to-date progressive forms for the organization of economic life (leasing, participation of stockholders in other enterprises, and so on). It is another matter when plans call for conversion in order to produce products for the open market and for managing the enterprise by means of

standard rates and allowances (taxes). Here, replacement of the owner is quite legitimate if it is economically advisable.

If only a portion of the capacities of a defense enterprise are to undergo conversion, then in addition to the issue of whether the owner is to be retained or replaced, the issue also has to be resolved of the possibility of combining the military and nonmilitary production operations. It would seem not to be very promising to combine the two types of enterprises "under one roof." It is practically impossible to manage effectively this kind of "hybrid" in which one sector operates under the state order, and the other for the open market.

In summarizing what we have said, we will identify a number of directions of development of ownership relations in the process of conversion. First of all, there is the strengthening of the economic independence of enterprises being converted within the framework of the nationwide form of ownership. This mainly applies to enterprises which have been added to the state sector, but still have the state as their principal customer, as well as to large economic facilities converted to manufacturing civilian vessels, aircraft, automation equipment, etc.

Another version of conversion is also possible in which the enterprise will pass over to collective or mixed ownership. It is evident that the property subject to these forms of ownership will mainly be enterprises which intend to produce consumer goods, facilities in the military-production infrastructure, and also certain sections and units of large defense production operations.

It is also indispensable to make a detailed study of all the possible strategies and versions of creating joint enterprises on the basis of those which previously manufactured science-intensive and technically sophisticated military products. The scientific-technical and technological level of production at many defense enterprises is approximately the same as in advanced Western firms. If joint enterprises are created as a result of conversion, we might speak about mixed ownership in which foreign capital participates.

How Is the Return to the National Economy From the VPK To Be Increased Even Today?

Our gaze is hopefully turned to the branches of military production. It is not without reason that we expect good consumer goods from them, new equipment for enterprises in light industry and the food industry, for agriculture, and so on. But it would be incorrect to relate the benefit to the national economy from the defense complex solely to conversion (which objectively cannot at present yield any solid result). The defense branches can and must make their contribution today to the economy of the country as a whole by performing several other tasks which are not directly related to conversion.

First of all, additional measures should be adopted to increase the production of products for civilian purposes

which defense enterprises have already put into production, to develop the processes of diversification, to merge military and civilian production operations, to place them under one roof. In this connection, we should also mention the "potential conversion" referred to above. The reason is that in the defense enterprises to be converted in the future there will be a "visible image" of the alternative product for civilian purposes, and the management structures that exist in every defense ministry and which are concerned with the problems of producing products for civilian purposes could in future manage conversion.

What is more, the return from the defense branches can be speeded up through reconversion, a point supported by the possibilities for extensive use of existing experience and the existence of the necessary documentation and scientific-technical developments for civilian production.

Large and speedy results might come from broad use of advanced technologies and scientific-technical innovations of the defense complex in the branches of civilian production. It should be emphasized that neither this measure nor diversification nor reconversion of military production actually constitute conversion. They are related in one way or another, but they constitute quite independent processes in the military-economic sphere.

In conclusion, I will emphasize once again that conversion is inseparable from the process of further democratization of ownership relations, since the transition to the footing of a civilian economy signifies a movement from the command forms of management to predominantly economic methods in organizing economic life.

Conversion requires very solid preparation. The defense complex cannot be expected to carry it out "speedily." In augmenting the return to the national economy from the VPK by the method proposed above, we should above all be concerned with theoretical substantiation of the measures of conversion, with thorough study and conceptualization of world experience in conversion, with planning it, and with its gradual implementation at present only in the sphere of R&D and other preparatory measures. We have to have a law on conversion, a national economic plan for carrying it out, and many other things.

We will not achieve anything if we are hasty: On the one hand, we will not restore to health the devastated civilian economy by means of a more advanced defense complex, and on the other we will drain the blood from the military sector of the economy itself, annihilating those little islands of high technology that at present are still functioning.

Footnotes

1. PRAVDA, 30 October 1989, p 2.
2. A. Izyumov, "Conversion? Conversion! Conversion," LITERATURNAYA GAZETA, 12 July 1989, p 11.

3. S. Blagovolin, "Military Power—How Much, What Kind, and Why?" *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA*, No 8, 1989, p 13.

4. ARGUMENTY I FAKTY, No 13, 1989, p 2.

5. This is already being discussed in the press. See, for example, A. Isayev, "Reform and the Defense Branches," *KOMMUNIST*, No 5, 1989, pp 24-30.

6. PRAVDA, 28 August 1989, p 4.

7. We should note that in recent years the average real wages of workers and engineering and technical personnel in the defense branches of production have on the whole been close to the level of the civilian sector of the economy.

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'Command' Style Conversion May 'Deepen Economic Crisis'

90UM0392A Moscow *POISK* in Russian No 10, 8-14 Mar pp 4-5

[Article by Aleksandra Mukhina under the rubric "Our Expert Appraisal": "Neither Guns Nor Butter"]

[Text] USSR Gosplan, the State Commission on Military Industrial Matters and the USSR Ministry of Defense submitted to the Presidium of the USSR Council of Ministers the State Program for Conversion of the Defense Industry for the Period Extending to the Year 1995. It was recommended that the program submitted be refined within a three-week period, however. And this is not surprising. Today we are witnessing heated debate by the specialists on what the rapid demilitarization of our economic life can provide and what its consequences could be for the national economy, which is experiencing a profound crisis.

The Army Is Strong and Our Tanks Are Fast

And so, it has been decided drastically to reduce the production of strategic missiles, tanks, military aircraft, infantry combat vehicles, multiple rocket launchers and other military equipment. Quite recently, however, this process was developing with equal speed—but in the opposite direction. Based on extremely rigid plans, there was a methodical buildup of missiles, tanks and other "wealth." According to Academician V. Avduyevskiy, chairman of the Soviet National Commission for Assisting the Conversion, since 1917 we had continued to live with the slogan "Everything for the front, everything for victory!" Today's outlays on the defense industry, however, would be justified only if there were a war underway on even a single front....

What kind of an army do we have? Even producing far more weapons than the USA and more of certain types than all the NATO nations, our defense industry was

unable rapidly to convert the army and navy to the new equipment. Having created a tank pool of 64,000 units, for example, we could totally renew the army only in ...dozens of years. In short, the "monster is overgrown, roguish and enormous," but, unfortunately, it is as awkward and archaic as some dinosaur.

In addition, certain economists with the Soviet National Commission for Assisting the Conversion estimate that the material wealth accumulated in our Armed Forces and in the branches producing military goods is comparable to all of the nation's basic "civilian wealth." The military machine designed by the defense ministries grew to gigantic size, and finally the critical moment was reached at which the civilian economy began to "capsize," dragging the military after it. We loaded one side of the boat for so long that it finally began to sink.

In the opinion of Academician V. Avduyevskiy, we have spent more than just a single trillion rubles on the defense industry. And although approximately a third of the weapons produced were "exported" to third-world nations, practically all of the currency received was reinvested in the military. The result is that the store shelves are empty and there is a crisis of overproduction in the military area, because, in the first place, the anticipated war with the entire capitalist world, fortunately, never started, and the former purchasers of our "fast tanks" today prefer to invest their money in more modern equipment—that is, forgive me, that coming off the assembly lines of the leading Western nations.

Today the state planning and management agencies see only the political side of the conversion. And although it is indeed important, there are also economic realities, which have once again been forgotten in the fervor of "historic" decisions. It should be noted that all of the campaigns—from the "corn fuss" to universal robotization—suffered from this. In the opinion of the economists, however, a command-style conversion in the situation of the state budget deficit could produce not an improvement of the economy but the opposite, a worsening of the crisis. And you and I will find ourselves once again no better off than before.... After all, that which is occurring before our eyes today would most accurately be described as conversion by directive. The masters of the situation, the defense departments, are now specifying who is to produce how much. The proposed draft conversion program therefore does not guarantee that the enormous scientific and technological capability built up in the military field will be used for resolving problems of the entire national economy.

The economists call the present version of conversion "passive." This means that the main task of the defense industry enterprises continues to be that of producing military equipment, producing for the national economy only what they can with the means "left over." It would be difficult to list all of the consequences of the financing of the "civilian" portion of the defense branches according to the "what is left over" principle or with additional funds from the budget. In this case, after all,

the extent to which swords are forged into plowshares will be limited basically to conversion of... the cadres. In any case, large outlays will be needed for the development of this kind of conversion. If events continue to develop according to this economic scenario, we shall do no more than build a few enterprises (instead of the thousands we need) which essentially differ none from "Potemkin villages." We can proudly show them to foreign visitors and say: You see, we can do it!

The conversion program is presently coordinated by the defense departments of Gosplan. From the standpoint of Ye. Rogovskiy, laboratory head at the Institute of Economics and Forecasting of Scientific and Technological Progress, however, they prepared the conversion using obsolete branch planning methods. It is ultimately oriented toward preserving the separation of the defense branches and the civilian economy.

It is calculated by the authors of an article published in one of the central newspapers that the conversion will make it possible to increase the country's national income by a minimum of 1.8 billion rubles, and its economic effect will amount to 12 billion. Other publications are less optimistic. But let us make our own calculations. In 1989, civilian goods worth only 15-20 kopecks were produced with capacities which turned out a ruble's worth of military goods. The figure will increase to 30-33 kopecks in 1990. The result, according to assessments of the IEPNTP [Institute of Economics and Forecasting of Scientific and Technological Progress] of the USSR Academy of Sciences, this conversion will reduce rates of growth of the national income by approximately 0.5% a year.

And what about the cost of the output? One defense firm decided to produce sports training devices selling for around 2,000 rubles. Few people can afford such products.... In short, judging from the prices, the present version of conversion is not oriented toward the production of popular goods affordable to the consumer....

What is the cause of this situation? Painful as it is to admit, it lies in the tenacity of Soviet militarism. Defense industry enterprises are attempting to "load" their capacities with the production of civilian goods making it possible rapidly to begin producing their former products again should the political climate change. In the second place, it has to do with the position of the defense ministries, which are not eager for conversion. In the third place, it involves the position of Gosplan's command-style "operation." In answer to my question as to whether it would not be possible to "free" part of the defense firms of "military duty" and convert them entirely to the production of civilian products, V. Kotov, deputy chief of a composite department of the USSR Gosplan and one of the authors of the State Program for Converting the Defense Industry, said: No, we cannot take the route of removing entire enterprises from the military economy. We have to leave classified and secret areas at these plants.

And finally, the main thing. The conversion program is actually classified. "We cannot obtain essential information and are forced to use only 'public sources,'" complains Academician V. Avduyevskiy. He, the chairman of the National Commission for Assisting the Conversion, is forced to work blindfolded! Furthermore, several billion rubles is being requested for the implementation of this program just for the 13th five-year period. According to Ye. Rogovskiy, outlays for financing civilian research at defense scientific research institutes and design offices also approach this amount. How does one assess these figures? Will this version of conversion not be ruinous for our nation? After all, we are not rich enough....

A "Dual" Economy or a Free Association?

The conversion plan proposed by Gosplan and the military-industrial complex is essentially very simple: provide consumer goods for the nation, on the one hand; on the other, do not halt the production of tanks, aircraft and other military "toys." Essentially, it is being proposed that we create an economy with a false bottom in the military-industrial complex in which the military will continue to be the main factor. But is this in fact the only possible solution?

Not at all. We need a different kind of conversion, the kind the economists call "active." The main thing it requires is an independent search by defense enterprises for economically and technologically expedient ways to participate in the production of civilian products. A free association which finds its own partners, parts suppliers and orders without anyone's help, instead of a semi-classified, semi-secret plant. The priority areas of the conversion measures should be those in which the priority economic tasks can be most rapidly accomplished. This can be achieved only if the conversion does not require new outlays by the nation but is based on thorough cooperation between existing defense and civilian production capacities. The list of civilian products should include not just the traditional televisions and tape recorders, but also ATS's [automatic telephone exchanges] and gas infrared radiators for decentralized heating and ecology monitoring equipment. We need a dictatorship of the national economy, figuratively speaking, and not a dictatorship of the military-industrial complex.

And how does one assess the effectiveness of the conversion? It seems to me that it should not be based on the intermediate volumes of the defense departments and not even on their output volumes for household appliances. The effectiveness of the conversion is indicated by its contribution to the establishment of conditions conducive to getting the national economy out of its social, ecological, technological and financial time crunch....

We already have examples of "active" conversion. The Konversiya engineering center formed out of the Scientific Research Institute of Machine-Building Technology of the Ministry of General Machine Building, for

example. It was formerly one of the institute's scientific departments and was fairly well financed out of the state budget. The situation then changed. What was it to do? The center took on the "acute shortage" problems of the national economy, the reconstruction and retooling of civilian enterprises and the establishment of sections and firms jointly with those enterprises. We are accustomed to thinking that joint enterprises can only be formed with Western partners. It turns out, however, that this is not necessarily so. Partners have been found nearby, and they have fairly good equipment and specialists.

Credit should be given to the center associates. They did not sit around and wait for a client to appear at the door. They went themselves to Moscow plants and factories and explained what was needed. And they resolved a broad range of problems: development of an engine block, lines for measuring out and packaging detergents and other equipment. They recently concluded several contracts for currency. The center's main task, however, in the opinion of A. Kibalchenko, its chief, should be one of saturating the domestic market with goods which the consumer can afford and "uplifting" the civilian industries to the level of the military....

It is obvious that with time such conversion will make it possible to reduce imports of industrial equipment and to save currency and use it for purchasing scarce consumer goods abroad. It will enable us to eliminate "bottlenecks" in the national economic area and to accelerate the social reorientation of our economy by means of the defense branches and not with investments.

Specialists with the IEPNTP of the USSR Academy of Sciences believe that in the conversion priority should be given to the development of a multipurpose state program. It should be tied in with other special-purpose programs: ecological, foreign economic and the like. The financing and production of military products should be effected exclusively with funds allocated by the Ministry of Defense out of the national budget. And no secret subsidies through other channels! We will then finally learn the real cost of the weapons.

The future of the conversion also depends upon whether we begin implementing the principle of less secrecy and more of various freedoms: from the right for civilian organizations to acquire or rent production space, equipment and instruments from "defense" at contractual prices to the provision of all types of services for the enterprises by the "military economy." Perhaps then we shall have a different life.

Who Has the Final Say?

We have repeatedly written that before spending billions on any large project, we need to have it appraised by a highly skilled commission of experts. And the commission of experts should be authorized to question decisions already approved for implementation. It, and not the ministries and departments involved, should have the final say on a project's fate. Only in this way can we safeguard ourselves against economic disasters.

Everything stated here should be fully applied also to the conversion. Yu. Yaremenko, corresponding member of the USSR Academy of Sciences and director of the IEPNTP of the USSR Academy of Sciences, believes that the conversion needs a commission of experts which would include both practical planning workers and economists. Unfortunately, the National Commission for Assisting the Conversion has been unable to perform a number of tasks involved in the expert appraisal both because of the meagerness of the information provided and as a result of the limited range of tasks assigned to it.

The program must be reviewed, of course, in existing extra-departmental expert organizations such as the GEK [State Examining Board] of the USSR Gosplan. In addition to this, however, a special commission of experts on conversion must be set up. It should consist of specialists in composite and branch departments of the USSR Gosplan, the GKNT [State Committee for Science and Technology] and the USSR Academy of Sciences, as well as representatives of civilian and defense branches of industry.

It seems to us that this must be done in order to avoid new mistakes. The USSR Supreme Soviet should probably take the commission under its wing. Otherwise, we face the danger of a "military coup" without a single shot being fired—a command-style, competitive, poorly conceived conversion—which will leave us without either guns or butter.

Problems With Conversion Program Discussed

Enterprises Unprepared To Adapt

904A03124 Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 3, Mar 90 pp 145-150

[Article by V. K. Osin, director, Berdsk Electrical Machinery Plant, Novosibirsk Oblast: 'Lonely Common Sense']

[Text] I have managed an enterprise for over 10 years. And as with any other director, I know that before introducing any innovation, the economic conditions for it must be created. In my opinion the economic preconditions for conversion had not been created.

Conversion is only a part of the major economic "restructurings" which we plan to carry out, one of the components of the economic reform, for the successful course of which the necessary preconditions do not exist for the moment either. Why should any plant, or the entire national economy, function more successfully today than yesterday? Four years of perestroika are behind us. What acts of any seriousness have we in our arsenal (our economic arsenal, I mean)?

The Law on the State Enterprise, our first serious initiative, is not working. Modifying acts, letters, orders and instructions have placed it "outside the law".... An

attempt to create some new "rules of the game," new mutual relations in the economy on the old foundation failed. Today we can no longer control the destiny of our own enterprise or resolve issues in the manner foreseen by law. Some new possibilities have appeared, but they are not as extensive as had been hoped. The old economic mechanism has yielded its positions to a significant degree, but the new one never did fill the void. Economic turmoil is also aggravated by other legal acts adopted in the last year or year and a half.

The Law on Cooperation, which was adopted in haste, without regard for world experience, only aggravated the confusion in the economic mechanism. Cooperation is needed, but cooperative enterprises have been placed under one set of conditions while workers of state enterprises enjoy different ones. The situation is not presently changing. Cooperatives operate on a cost accounting basis in the full sense of the term (I am referring to the idea, and not to the abuses, intrigues and crimes encountered in cooperatives). When they make a profit, they are able to decide how to use it—to develop production, to solve social problems or to convert to production of products that are even more profitable. But what would change for a state enterprise if it produced more products? Why should we produce more profitable products, or reduce the outlays on their production? Yes, there are standards for deductions from profit into enterprise funds. But these are surrogate deductions, calculated on the basis of the production program. In 1989, in connection with the conversion, they were changed for our enterprise, and next year or the year after that they may be changed again.... There are no guarantees for a state enterprise, and I have never heard anyone at the highest levels of government arguing as zealously for them as for guarantees for cooperatives.

The Law on Unified Taxation. I would wish to look its authors in the eye as I read one of its clauses: The collectives of enterprises producing consumer goods are exempt from taxes in this part of the production program. No, we can't achieve full shelves with such measures. This is similar to the instinctive motions of a drowning man clutching at a straw.

We decided to expand production of the Berdsk electric shaver and the Romashka cosmetics assortment. In 1989 we manufactured 37 million rubles' worth of electric shavers. The demand for our products is enormous. The articles are technically complex, and it is precisely articles such as these that the market is awaiting. In order to expand their manufacture, we need additional materials (polystyrene, diflon). But expanding production is disadvantageous to the enterprises producing the plastics: They want to manufacture consumer goods, and become exempt from some of their taxes. In the meantime polystyrene and diflon are their principal products, and it is unprofitable for them to increase their production. A 3 percent ceiling, of which everyone is apparently aware now, was introduced in order to limit growth of the wage fund. When wages grow over these limits, we are supposed to deduct into the state budget a ruble, two rubles

and so on for every ruble that the wage fund increases. Not only is this essentially the same relationship between growth of labor productivity and growth of the wage fund which we had supposedly abandoned, but it is even a much bigger mistake. It has made growth of the volume of the principal product unprofitable. In this way, we'll all soon transform into hardware stores, and we won't have sufficient quantities of either modern materials or machine tools and equipment. And ultimately we will force consumer goods production into a corner.

The taxation system is yet another clear illustration of the **different management conditions of state and cooperative enterprises**. State enterprises carry out highly important social tasks: They finance social programs and development of the infrastructure, they provide subsidies to the public health system and to preschool and medical institutions, they help out local administrative bodies, and they often maintain a vast housing pool. On the other hand, cooperative enterprises are free of all of this.

Let me cite a couple of figures: Each year we allocate 1.4 million rubles to the maintenance of children's combines; 1.25 million rubles to subsidize housing and municipal facilities, and so on. Our plant has 370,000 square meters of its own housing. We have no wish to transfer it to anyone—this would simply ruin our town. We pay the state an enormous amount of turnover tax. Were the state to leave it with the enterprise, we would be able to solve our social problems.

When will these problems be solved? Precious time is slipping by, and the crisis is deepening, and at an ever-increasing rate at that. And the more it deepens, the harder and harder it becomes to implement fundamental reforms. This would have been easier to do in 1985. All **complexities of the transition period, including the conversion, are associated today for the state enterprise with the uncertainty of its position**. We criticize the reforms of 1965 and 1975, we are discussing the year 2000, and we understand how beautiful life is to be in the year 3000. But how do we get to this beautiful life? What must we do today? It is so difficult for the enterprise to work in this uncertainty, especially if problems are posed before it which are difficult to surmount even in the most favorable conditions!

The plan for 1989 was imposed on our plant in December 1988. In the second half of January 1989 refusals began arriving unexpectedly. Serious discussions of conversion reached us in February, and later on the decisions. In February-March consumers refused delivery of 20 percent of our products. In August-September 1989 we drew up the plan. Once again a silence set in at the top. A malevolent one, I would say. This is not the way to conduct business!

We are absolutely unprepared for conversion, and the complex of measures pertaining to it has not been thought out. No one knows how to behave in the new conditions, and how to solve arising problems. There is

but one slogan: It must be done! Whoever said that conversion is not needed?! Doubtlessly a significant part of our equipment must be oriented on production of civilian articles. But we must prepare for this process, we need to think it out.

In 1989 we managed to solve part of the problems: We fulfilled half of our volume of 20 by means of special orders. But we never were able to "save" the rest. The ministry met us halfway (that was because we appealed to it in time), reducing the volume indicators; we changed the standards, thus preserving the economic stimulation fund. Thus we survived the first "assault" of conversion with minimum losses in the wage fund. Unfinished production increased, but not much. Our machinery did not stop working, as in other plants, and the number of workers has not been reduced as yet. But some of the shops could not work at full load. The people are anxious, and they ask us what will become of them. We are retraining part of the workers.

I would like to dwell in greater detail on one widespread misconception: that if we reduce military production by a million rubles, we will be able to manufacture a million rubles' worth of civilian products. This is an illusion. The volumes of the principal products are decreasing, but the assortment remains the same. The equipment at our plant is specialized as a rule, and there are many instances in which it cannot be used to make consumer goods. This is something we cannot change. If this equipment had been necessary to produce five articles, it would still be needed for the production of three, two or one article. Consequently we do not gain any space for the production of consumer goods. The load on the workers decreases somewhat. But as a rule these are highly skilled workers, and consumer goods production does not require their qualifications. That's another sort of production. Thus it happens that despite conversion, we are unable to find productive capacities to support the planned increase in consumer goods production to 50 million rubles.

We need to delineate functions, and all participants of conversion must fulfill them. Our task is to understand the situation, to prepare for it, and to ensure a steady flow of orders. This is a task which we must carry out on our own, without relying on the ministries and union organs. But the central departments and committees should also "carry their own baggage." **Their job is to compile a program 3-4 years into the future, in which the volume by which production of the principal product is to be reduced is indicated to the enterprise, and to schedule conversion in terms of volumes and assortment over the years in question.** Nothing more is needed. Consider how much unnecessary work we are doing today because the future of conversion is unclear. How much unfinished work is accumulating at the warehouses of the enterprises; how many resources are utilized to no advantage! How much extra wages have been paid! What we do need is something which we have so long been proud of—planning, and thoughtfully written measures to implement conversion. And nothing more!

Rapid Product Changeover Unrealistic

90440312B Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 3, Mar 90 pp 150-155

[Article by N. I. Bobritskiy, general director, Aviation Construction Association imeni Chkalov, Novosibirsk: "Conversion Is Near"]

[Text] Conversion is proceeding in two directions at our enterprise. **The first.** In accordance with known decisions of the CPSU Central Committee and the USSR Council of Ministers, the production volumes of the former Ministry of Machine Building for Light and Food Industry and Household Appliances were transferred to our minister. Our plant must manufacture box calf buffering and dust-removal lines and groats packaging lines. Manufacture of cookie packaging lines is planned for the future. None of this has anything in common with our specialization.

Aviation industry is traditionally the most developed from the standpoint of both equipment and production processes on one hand and traditions and approaches to production organization on the other. This is why we took our assignment seriously. At first we tried to make the dust-removal lines ourselves. We manufactured some models, but they didn't work out. We were forced to turn to some Italian companies. We looked over their production organization and procedures. Owing to this approach, we hoped to travel the path they traveled for a century much faster. But I think that specialization in something is necessary. If the Italians are the fashion trend-setters in leather production, why not cooperate with them, why not purchase the equipment from them? And then we could concentrate on our own priorities. In the meantime we have taken on everything, we are trying to do everything ourselves. This is more costly, and the quality of articles turns out to be worse.

Now about specialists. It is very difficult to retrain an aircraft builder. Of course, design subdivisions called upon to create competitive models of equipment have been set up, and we would hope that after a certain while, home-grown personnel would appear in our country....

And what happened with enterprises of the former Ministry of Machine Building for Light and Food Industry? They were divided among the sector's associations in haste, without any special thought. It was apparently assumed that we would strengthen them materially, and raise their technical level. But inasmuch as an immediate return is required of us, we loaded our own enterprises with the new orders, while those other plants continue to wither away. A mistake has obviously been made. Conversion in aviation industry should have proceeded along the lines of a transition to civilian aviation construction. The demand is there, the design developments are there, and fabulous personnel are there.

The second direction—consumer goods production. While in 1988 we manufactured 18 million rubles' worth of them, in 1989 we manufactured 27.5 million rubles' worth. And there are plans to increase their production to 40 million rubles in 1990. Preparations were begun in 1989 for manufacture of the Malyutka clothes washer. Taking one of our old ideas off the shelf, we are setting up production of an ecologically clean cross-country vehicle for the tundra.

Such swift growth is associated with great difficulties. Our plant was built in 1931-1936. We are forced to constantly rebuild, we are investing money into reconstruction, but still we are unable to keep up. Every generation of aviation equipment is characterized by new technology. Conversion has complicated our life even more. We are compelled to sharply change our production structure: We have set up three different plants—for the principal production operation, for consumer goods production, and for production of equipment for light and food industry. We radically reduced the functions of the plant administration, having transferred all economic activities to these complexes. In this way, "following peasant practices," we are attempting to cushion the negative consequences of decisions made by higher authorities. **Before initiating conversion, and going over to full cost accounting, we should have prepared the economic soil, and granted freedom to the enterprise.** And in the meantime the decisively condemned authoritarian administrative methods are not only still around, but they have also been revealing themselves recently in harsher forms. At first, when their abandonment was proclaimed, we all relaxed, feeling ourselves to be free, and even began looking for contacts abroad. But very soon we were put back on the leash. Thus, a telegram from the minister in October 1989 obliged us to sign contracts for the entire volume of state orders for consumer goods totalling 40 million rubles by the end of the month, even though this volume was not provided material and equipment support.

The idea behind the structural changes occurring today in industry is correct. It is high time to reorient industry on satisfying the demand for consumer goods. But the way this idea is being implemented is such that I am certain the country is suffering colossal losses. If we look at conversion not only as a decrease in the volume of defense production but also as reorientation of defense enterprises on civilian production, then this process has become significantly more complicated. Disproportions are developing, and all kinds of economic tricks are beginning to be played. Thus today's indicators depend mainly on the rate of growth of production volumes, which are reckoned in rubles. One man-hour in production under the new system "costs" us five to six times less than in the case of traditional production. Therefore the indicators are worsening dramatically. And the more of the main products that are removed from production and the deeper conversion goes, the worse our economic position becomes and the less we are interested in conversion. We lost around 6 million rubles of profit in

1989 due to conversion. And this is only its first year. Why has such a ratio come to pass (1:5)? Due to imbalances in price setting. In the manufacture of our main product, machining and preparatory production represent around 20 percent, machine assembly represents another 25-30 percent, and the rest of the work is represented by final adjustment and testing. It is in correspondence with these proportions that productive capacities were organized and the number of mechanics, turners, milling machine operators, fitters, assemblers, riveters and so on were determined. But in the new production operation, 70 percent of the work is machining and 30 percent is assembly. A new ratio of output capacities.

Let's try to assess conversion not in rubles, as is done now, but in terms of the types of jobs. The question we put to ourselves is this: What volume of our principal articles must be removed from production in order to allow us to manufacture the planned quantity of new articles? The resulting picture was terrifying. If for example production of our principal article requires 100 norm-hours of machining, the new one would require 800! But the new article costs several times less. They say to us: You are no longer to produce your principal products. Give us the same volume of civilian articles instead. But this is impossible—no one is going to send us specialists at our request. And so we are losing specialists in aviation construction, and we are unable to find others. The situation is aggravated by the attractiveness of cooperatives, which is where workers with skillful hands and a good head are going.

When we sit down to draw up our plan, no matter how we figure things, we still have to satisfy the wage standard that is still in effect. **We are trying to establish priority, within the framework of this standard, for subdivisions working on the new tasks.** The new product is unprofitable, but the wages of the specialists and workers transferred here from the main shop must be kept at the level to which they are accustomed. During the time that the new product will represent a small percentage of our volume, this will be possible. How things go after that, only time will tell. Our hope is that major changes will occur in the position of the ministries and planning organs, and that the independence of the enterprises will widen. Of course, enterprises in the defense sectors have a strong economic position. This allows us to stay afloat at the moment. **But the main question is this: Where will our economy go next—toward independence of enterprises, or in the other direction?**

During all of 1989 we lived on credit. And our situation was changed once again this year. The scale of conversion was widened, and we were given a new assignment. We were forced to take out a new loan.

At the same time, everyone is coming to the enterprise with their hands outstretched. Over a million have already been taken from us for the "130" program (130 villages are to be restored in the oblast), which is sponsored by the oblast CPSU committee. We have to

support our impoverished culture, and the like. In order to compensate for the contributions, little by little we are becoming business-minded. We have created a commercial service headed by the deputy director, the main goal of which is to find advantageous business deals. We help to supply other enterprises and organizations with imported computers, and we provide cargo transport services, utilizing our own transport and passenger aircraft. In this way we are striving not only to compensate for the expenses of "sponsorship" but also to obtain money to solve our own problems.

There is one other thing that troubles me. **We have no interest in concerning ourselves with future development of our main product.** Now that design offices have converted to cost accounting, they are trying to sell their developments. This would be all right if the producers had any money. The cost of the principal article does not include the cost of its development. Earlier, the special design office financed our outlays associated with expensive production preparations. Now it no longer intends to do so. What are we to do about new articles? Will we not break the chain of progressive technological development? We stand to lose something very significant by weakening our enterprises. And this should not be done beneath the flag of conversion.

More Enterprise Independence Needed

904A0312C Novosibirsk *EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 3, Mar 90 pp 156-158

[Article by Yu. Ya. Mikhno, low-voltage apparatus plant director, Novosibirsk: "Out of the Closed Circle"]

[Text] Our enterprise's defense production volume has now decreased dramatically.

Following the disbanding of the Ministry of Machine Building for Light and Food Industry and Household Appliances, we received our "tidbit." And although there is the widespread opinion that defense industry workers can do anything, it is a mistaken one. Everyone has his limits. We were given an assignment to manufacture automatic carcass butchering and cutting machines. No one else manufactures such a product in our country. We made our machines, but without an outfit of other machines that no one makes, they are ineffective. We were compelled to switch an entire shop to the production of these automatic machines, depriving ourselves of a means of producing other equipment and gear. And I must state that we worked hard on this project, and we produced the rotary lines and other equipment ourselves.

The misfortunes came down upon us one after another. Conversion began taking away our best personnel. Earnings decreased, and so the people left to join cooperatives. In 1989 we lost 605 persons because of this. Of course, we ourselves were poorly prepared for conversion, and we failed to select a complex technical article

for production right away. Well, it's hard to do such a thing while production is still going on. We decided to manufacture a mixer, but we were unable to obtain the drawings right away, though we managed to prepare the equipment and the molds.

The situation is aggravated by a universal shortage. We have been manufacturing a three-channel radio receiver for a long time. The demand for it increased dramatically in recent years. But we cannot increase production, because some of the parts we need are unavailable: A strike has closed down one supplier, and another finds it unprofitable to make them. We are offered terms: We'll supply the parts you need, but give us automatic thermoplast machinery, equipment and machine tools. In 1989 we were able to fulfill some requirements, but what we have won't last very long. What is going to happen after that? The situation has been complicated by the Law on Taxation. Everyone wants to produce consumer goods and not pay taxes. This is why you can't find plastics in the country. "If you compensate us for our losses, then...." And once again the haggling begins. But consider that consumer goods production depends to a great degree namely on deliveries of plastics.

There is one solution that I can see: **making the enterprise independent, leasing it to the labor collective, which will widen our possibilities.** Then we would be able to pay for and quickly receive developments from scientific research institutes and design offices, and quickly react to all external "stimuli." At the moment we are working to create independent firms within the enterprise, utilizing the experience of Odeskholodmash, though of course not copying it (see the article "Hot Times at Kholodmash," No 2, 1990). We have accumulated some experience by introducing production of snaps for clothing. They are going like hotcakes. It is a very economical product, though its manufacture is complex. It took us 8 months to introduce the product. We foresaw paying a percentage of the profit to all involved in its production, treating their monthly wages as an advance. Now we are also orienting other shops and sections on finding profitable articles. But we are unable to expand as much as we would want to. **It all boils down to the question of the rights of state enterprises.** Higher organs interfere into our activities whenever they like. Local organs also put pressure on us, loading us up with orders and with demands for assistance. We now spend 2.5 million rubles on these ends. This is just one-time assistance. Then we get orders like this: Make pickup balers and charge it to conversion. This is a complex, expensive article. We bear large losses—250,000 rubles. We are supposed to make them quickly—500 units right away, even though the drawings have not yet been completed, and an experimental model does not exist. Such high pressure knocks us off track. We deduct a quarter of our profit and transfer our depreciation deductions to the ministry. In return, we get nothing in terms of either new equipment or overhaul. Under these conditions the only solution is to try to work things out ourselves, having finally been granted economic independence.

We traditionally specialize in electrical equipment, and we would like to stay with this specialty. We suggest organizing large-scale production of mixers (up to 1 million units per year). But per square meter of production space, we can produce significantly more military equipment than consumer goods. In the West, they learned to produce consumer goods a long time ago. On the other hand we have neither the developed production procedures nor the equipment. We are compelled to hire larger numbers of people. They have to be kept busy until the new production operation is ready to roll. The haste of conversion is not allowing time for this. We need to simultaneously upgrade the level of our main articles, which means diverting a significant share of the workers to this area. We are able to get by for the moment due to the unified economic stimulation fund. Our main production operation is essentially "financing" conversion. Will the main shops agree to such a thing if we grant them independence? I think not. Meaning that by solving one problem, we acquire another one.

In my opinion the questions concerning structural changes in the national economy have not been fully worked out in the conversion program. The load on many sectors—plastics, low-power electric motors, bearings etc.—will increase several times over. One would think that the central organs would foresee their accelerated development, thus demonstrating the advantages of a planned economy. But this is not happening. Either planning is a bankrupt principle, or it is beyond the means of the management.

Atomic Energy Industry Official on Conversion

*904A0312D Novosibirsk EKONOMIKA I
ORGANIZATSIYA PROMYSHLENNOGO
PROIZVODSTVA (EKO) in Russian No 3, Mar 90
pp 158-165*

[Interview with USSR Deputy Minister of Atomic Energy and Industry Yu. I. Tychkov: "Possibilities and the Conception"]

[Text]

[EKO] Yuriy Igorevich, how do you evaluate the situation in the economy in connection with conversion? What in your opinion was done wrong right from the start?

[Tychkov] I would rather begin the interview with something else. I am very happy to once again appear in my favorite journal—EKO—after something of a break.

[EKO] All the more so because you were a member of our editorial board for many long years.

[Tychkov] Yes, and I look back on those years with very warm feelings.

But let's begin our discussion of conversion. The situation is now complex due to both subjective and objective causes. I would include among the objective causes the fact that specialized production operations that cannot

be switched to consumer goods production are sometimes included in conversion. Sometimes it is more advantageous to mothball equipment than to retool it.

Now about subjective causes. After World War II, hundreds of plants employing hundreds of thousands of people were converted. But the scale of the problems encountered in that conversion is incomparable to that of the present one. An iron authoritarian style of leadership existed at that time, which helped to push conversion through. Such a thing does not exist today. But there is no other system of management either. I would also include among subjective complexities the hope of executives of many enterprises that either they would be permitted not to convert, or their conversion would be at a lower level than presently foreseen. It is my personal opinion that some of the complexities stem from the approach to implementing conversion. First of all the USSR Gosplan and the commission of the USSR Supreme Soviet Presidium must demand from each department not specific conversion plans at the enterprise level (Gosplan has already played a certain methodological role, having supplied standard accounting forms to everyone), but the conception on the basis of which to implement conversion. **The commission and Gosplan must hear out ideas on a sensible, optimum path of conversion and on its directions while making maximum use of scientific and technical potential. It is my deep conviction that conversion must begin with, and organically include, the activities of applied science in each sector. The enormous potential of the defense sectors may be utilized in optimum fashion only if conversion of scientific developments and conversion of industry proceed purposefully, in coordinated fashion.** In many cases such coordination is absent. In any case I am not aware that any sectors have demanded that the schedule of the work phases be written out: from creating the conception of conversion and developing the methods by which it is to be supported with resources, to determining the major characteristics of conversion and drawing up specific plans.

[EKO] The Ministry of Atomic Energy and Industry, better known at the moment as the Ministry of Medium Machine Building, possesses a powerful potential, both scientific-technical and industrial. It seems to me from the responses submitted by enterprises that your sector is prepared better for conversion than others, and that its conception has been developed.

[Tychkov] I can't compare our sector with others. We approached conversion precisely from the positions I have already discussed. **This is precisely why we were able to achieve successes in utilizing the sector's scientific and technical potential.** We immediately identified this as the main objective. And only after this did we choose the corresponding directions of conversion.

The sector has accumulated a significant scientific and technical potential, and it possesses a solid foundation in solid-state physics, in the chemistry and procedures of obtaining rare-earth metals and especially pure materials

possessing unique properties, and the physical material working methods making it possible to obtain materials with fundamentally new properties. There have been successes in creating automation resources. A number of enterprises have organized manufacture of Vektor main-line-modular systems, KAMAK systems, and others, and they are designing computer equipment and software. Production of special personal computers, microcomputers, components for local computer networks, numerical control systems, graphic stations and peripheral devices has begun.

Analysis of the possibilities and of scientific and technical potential revealed to us the need for creating a microelectronics subsector. We are approaching it in a way traditional to medium machine building, solving all problems integrally. From production of ultrapure materials for microelectronics, to production of components on this basis, to manufacture of functional microelectronic devices (programmable controllers, supercomputers of original architecture and so on).

Following selection of the directions of conversion we justified them from a technical and an economic point of view. The sector must direct a third of all resources into this area. This was calculated with an accuracy of 15-20 percent. This accuracy is more or less valid for such projects. The following question arose: What tactics should be adopted in compiling the conversion plan? **We immediately formulated our plan as a specific-purpose task, utilizing the classical methods of specific-purpose program planning.** The problem of establishing a sub-sector (microelectronics for example) was structured, and nine blocks were isolated: ultrapure materials; equipment by which to acquire ultrapure materials and components; the components themselves; the clean work area industry, without which there could be no successes in microelectronics; the types of functional microelectronic devices; structures and standardized units, and so on. **Working groups for each block and a central group dealing with conversion in general were created.**

The work then proceeded in the three classical stages. Each group submitted a plan itemized down to specific measures. These plans were generalized by the central group. The first version of the conception of conversion came into being in this way. It was discussed by the ministry's scientific and technical council, and then refined in accordance with the latter's remarks. The work of this stage was done primarily by the sector's institute and the ministry's apparatus. Executives of all enterprises participating in implementation of the conversion plan joined the work in the second stage. Thus the circle of participants widened. Creation of the conception consolidated the sector's scientific institutes and enterprises (over 50). The subsequent work proceeded with the participation of the enterprises, which made it possible to refine the deadlines, resources and directions of conversion, and to make it more realistic. The conception was once again examined by the scientific and technical council, as a result of which a ministry order was published.

But the selected direction went beyond the sector's interests. The production volume of ultrapure materials, creation of functional devices, and directions associated with mainframe-modular networks and local computer systems were clearly of statewide interest. Creation of an ultraclean work area industry just for this sector alone would be unprofitable. **This is why the work was carried out in a close relationship with the Ministry of Electronics Industry and other departments. Institutes of the USSR Academy of Sciences were included.** An especially large amount of work was done by institutes of the Siberian Department of the USSR Academy of Sciences, inasmuch as we have fewer of our own scientific research institutes in the eastern region. We concluded together with the presidium of the Siberian Department of the USSR Academy of Sciences that an independent scientific-production complex had to be formed in the country's east. **And now the conversion strategy is based on creation of two large scientific-production complexes: a western one (up to the Urals) and eastern one (from the Urals to Chitinsk Oblast).** In the country's east, creation of a sector scientific research institute of microelectronics in Novosibirsk was foreseen. It will maintain close contacts with institutes of the Siberian Department of the USSR Academy of Sciences. We will create affiliates of this institute in Tomsk, Krasnoyarsk and Irkutsk.

Now the strategy for implementing the conception was clearly defined in relation to deadlines, resources and participants. In the final stage we reported the conception to the board of the State Committee for Computer Technology and Information Science and received approval from its chairman, B. L. Tolstykh. The State Committee for Science and Technology approved it as well.

[EKO] What was the result, for you, of the conception's discussion at the top level?

[Tychkov] It showed that we need to take care of two things. **The first—establish close ties with associated sectors in those directions in which we have less experience.** First of all with the Ministry of Electronics Industry. Minister V. G. Kolesnikov and his deputies were understanding of our needs. We established good business contacts (I must emphasize this). We agreed to create a joint venture in Kaliningrad, Moscow Oblast. Special production equipment for microelectronics will be developed and manufactured there. The Ministry of the Electronics Industry has some experience in this, while we have the scientific and technical background. We will create capacities for production of components there as well.

The Ministry of the Electronics Industry is encountering difficulties in locating its new enterprises due to aggravation of the ecological situation in large cities. It is hard to coordinate contracted construction work even within the framework of the decree mentioned above. We signed a protocol with the Ministry of the Electronics Industry stating that we will use our own construction

organizations to build some of the specialized buildings for the production of large and superlarge integrated circuits. They will be located in our combines, and the Ministry of the Electronics Industry will help us fit them out with special equipment, place the new procedures in operation and supply special materials. The sole difficulty we see is that we have not yet been able to persuade Gosplan of the need for financing this construction as a specific item. We also signed an agreement with the Ministry of the Machine Tool and Tool Building Industry to create a joint venture for the production of precision machine tools for microelectronics and household electronics; it is to be located in the city of Shuye, where construction of a large plant belonging to the Ivanovsk Machine Tool Building Association was postponed indefinitely. The matter of specific-item financing has not been resolved here as well, though we do have our own construction organizations in this region.

[EKO] Consequently the scale of what you are planning is not limited to just the sector alone.

[Tychkov] Yes. We also feel that the Soviet Union is losing out in many ways owing to its lukewarm participation in international division of labor. This is why we conducted negotiations with large foreign companies involved in microelectronics in 1989. This led to the creation of a joint venture manufacturing Winchester-type hard disks together with an American company. Our hope is that we will be able to produce them beginning in 1990-1991. Several tens of thousands in the first year, and around 400,000 per year by 1995. Our foreign partner showed an interest in our scientific and technical background. A unique film precipitation process was developed by the Institute of Atomic Energy imeni Kurchatov. In the estimation of Western specialists this will make it possible to create memory disks with a recording density exceeding today's best models. Our foreign partner will help us set up the laboratories and production operations. Without giving up our know-how to them, we will begin manufacturing disks in the joint venture which will find uses both in Winchesters manufactured in the USSR, and possibly in American ones.

The second direction of cooperation is creation of joint ventures producing personal computers. This is one of the main directions in the development of computer technology. Modern personal computers, especially ones equipped with transport boards, both coprocessor and graphic, can be used to create a tabletop computer complex with the following characteristics: speed—up to 50 million operations per second, working memory—up to 5-8 megabytes, Winchester—more than 100 megabytes. Such complexes can fundamentally alter the situation in scientific research and design.

The conversion calls for interaction with the USSR State Committee for Public Education. Progress is possible in information science only on the basis of mass computerization. We are thinking about producing an electronic home game attachment which develops the habits of

communicating with such equipment in children. The agreement with the State Committee for Public Education was coordinated with the State Committee for Computer Technology and Information Science and with Academician Ye. P. Velikhov, the vice president of the USSR Academy of Sciences and academician-secretary of the department of information science and computer technology. In a year or two we are to create capacities capable of producing 100,000 personal computers annually in the Western, Ural and Siberian regions together with our foreign partner, who will be responsible for delivering components. Considering the fact that we are organizing assembly of Winchesters, these computers will be significantly less expensive in terms of hard currency investments than simply purchasing the outfits.

[EKO] Both the plans and the practical steps are extremely interesting, but what sort of support are they being provided in terms of resources?

[Tychkov] Because we selected science-intensive directions of conversion and because we have made world-level production our objective, we cannot do without major hard currency investments. Our program will require around 1 billion in first-category currency in the 13th Five-Year Plan. It would be unrealistic to obtain such subsidies from the state. We need to seek other ways. The sector is presently exporting products valued at 100 million rubles per year. Not a large figure. This is why we proposed to the government that we retain all hard currency that we earn. In this case we are prepared to ensure complete self-sufficiency of the program in terms of hard currency. We have developed a system by which to interest enterprises and combines in developing export. If this decision is made, we are prepared to assume the responsibility for this direction of conversion, and guarantee full currency self-sufficiency. Two cases would be an exception: participation in state programs to create clean work areas, and construction of color television picture tubes jointly with the Ministry of the Electronics Industry.

[EKO] But what if you looked at resource support of conversion from the standpoint of not the sector but the enterprise?

[Tychkov] We need to create advantageous conditions in the area of fund payments and production taxes. If an enterprise finds itself under the demanding press of conversion, it must be given an opportunity to utilize its own resources to a greater degree (payments for all kinds of funds, for manpower, and possibly taxes). This will be of assistance in creating the economic mechanism of maximum self-sufficiency of conversion. A special economic mechanism must be created for the enterprises, but only in the event that the paths of development they select look promising, and if they go on producing science-intensive products instead of starting to make frying pans. The state must not waste resources on the latter. If an enterprise with science-intensive products and

with overhead expenses of 500-600 percent chooses to produce a primitive product, it will be doomed.

We have been attempting to persuade both Gosplan and the USSR Supreme Soviet commission that specific investments into our sector would be the most profitable, though unfortunately we have not been very successful. New output capacities are created when the personnel are available, and with the use of existing infrastructures of construction organizations. Were the state to allocate capital investments to the Ministry of Atomic Energy and Industry, it could be certain of their assimilation. We do not demand any allocations for contracted work. Unfortunately, we have to prove obvious things again and again.

[EKO] Yuriy Igorevich, you mentioned that the authoritarian administrative system played a positive role in postwar conversion....

[Tychkov] Yes, I lived in Novosibirsk at that time, and I remember the pace at which we worked, around the clock, just like in the war, at the Chkalov Aviation Plant to introduce world-level production. It took the plant not less than 2 years to travel this path.

Today there is even the danger of disintegration of enterprises due to ill-conceived and slow conversion. The danger is great, but conversion of the enterprises in our sector is being combined with conversion of the scientific research institutes, and it corresponds with the traditional directions of their activity. Our directions of conversion have powerful support not only from applied but also fundamental science.

The directions we have selected are science-intensive, and the objective we have posed before ourselves is an honorable one—manufacturing world-level products by 1995, and never falling to a lower level after that. If this comes about, we will not only maintain the best traditions of the sector—production discipline, and its technical level, but in many cases we will also increase the technical potential of the enterprises. I am referring to precision mechanics in the production of science-intensive consumer goods, chemical procedures for obtaining ultrapure materials, development of the methods of extracting and enriching ore, and so on. This will ensure a possibility for a transition to fast and mobile reconversion when necessary.

[EKO] How much time did it take to determine the conception?

[Tychkov] Over a year and a half. We began this work before the official decrees on conversion came out. It was clear that following the Chernobyl tragedy, mildly speaking the rate of development of atomic power engineering was decreasing in connection with the serious social and psychological situation. Disarmament talks were already underway. It was clear that either mankind would develop in the direction of tragedy, or the pace of disarmament efforts would accelerate. Understanding

what the trends were, we began work on the conception, and the decrees did not catch us unawares.

[EKO] When will we sense a payoff from conversion in our sector?

[Tychkov] A payoff is already occurring, but it is still weak at the moment. Computers and materials for microelectronics valued at tens of millions of rubles will be produced in 1990. But by 1995, manufacture of these products will be valued at several billion rubles, with regard for consumer goods, and by the year 2000 this direction will represent a third of the total volume of the sector's output (not including production of electric power by nuclear power plants).

[EKO] We feel that the procedures you followed in developing the conversion conception will be useful to our readers. The time has probably come to conduct a unionwide conference on conversion with the participation of scientific and practical workers. A business-like conference, and not one just for show.

Main Problems Summarized

904A0312E Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 3, Mar 90 pp 165-166

[Article by L. A. Shcherbakova, EKO correspondent: "From Cartridges to Sausages: A Journalist's Commentary"]

[Text] In my life as a journalist, which has been rather rich with visits to industrial enterprises, around 10 years ago I found myself in an enterprise that had undergone conversion following the Great Patriotic War. This was the Dnepropetrovsk Tank Plant imeni Voroshilov. Immediately following the war it switched to new products—agricultural ones. In literally a few years it descended to the level of a simple shop, the one remaining entity common to defense and civilian production. It took more than one decade for the enterprise to get back on its feet. Now it is known as the Dnepropetrovsk Combine Plant. It was there that certification of work stations was originally introduced. Only the name Voroshilov remains from the past "wartime" biography.

This outcome is fully possible for many enterprises today as well. This is graphically evident from published materials. I would like to stress several ideas that are fundamental from my point of view:

- Most importantly, the transition to a new form of production would be less expensive to the country and more natural and easier to the enterprises if independence of the enterprises would become a reality. Unfortunately this has not happened, and the attitude toward conversion observed at the enterprises recalls on some occasions the attitude Chekhov's Firs displayed toward repeal of serfdom. "I remember everyone being happy, but why they were

- happy, even they themselves don't know.... Everything is in disunity, it is all incomprehensible."
- Conversion has not been prepared for, it has not been thought out from above. It caught the enterprises unawares. The level to which military production should drop is often unknown. This generates a lack of confidence in tomorrow.
 - The management of defense enterprises, economists, planners and suppliers have not become accustomed to working under the new conditions, which is also having a negative effect. There is good reason why things are harder for these enterprises than civilian ones. Many are waiting for everything to come full circle in a year or two.
 - Economic indicators at enterprises participating in conversion worsened dramatically due to lower prices on their new products, due to the fact that the volume indicators remain the same. The price reform was postponed beyond 1991, and consequently the situation will grow worse.
 - Social tension is growing in the collectives, wages are falling, and people are leaving. There is no general program of worker retraining.
 - Although conversion loans are necessary—old output capacities cannot be reoriented on new production in many cases, and construction of new ones requires capital investments—they have been late in coming, and they are difficult to get.
 - One of the main problems of conversion is what to produce next. Information on manufacturing specific complex civilian products is extremely poorly organized. This makes enterprises fearful of starting up production of something which quite probably several dozen plants are already producing in the country. It is especially difficult for those that had not had any exposure to civilian production before. You will read in greater detail on these aspects in the next issue.

I would like to conclude with an incident having to do with conversion that is fully worthy of becoming anecdotal. In a certain city by the name of K., a very well known design company offered a local meat-packing plant a rotary cartridge production line made available as a result of conversion. But they were unable to get this line to produce sausages: The cellophane kept on tearing. After several unsuccessful experiments lasting over a period of a year, a competent commission was created to thoroughly study the situation. It concluded that cellophane differs from brass in its physical properties. And unfortunately an easy conversion from cartridges to sausages never occurred.

And apparently, there can be no such thing as easy conversion in general.

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PLANNING, PLAN IMPLEMENTATION

Incidents of Statistical Padding in Industries Rise

904A03644 Moscow RABOCHAYA TRIBUNA
in Russian 16 May 90 p 1

[Interview with N. G. Belov, first deputy chairman of the USSR State Committee for Statistics, by TASS correspondent N. Marunov, especially for RABOCHAYA TRIBUNA: "Padding Reigns at the Ball"; date and place not given]

[Text] **Padding is an old disease of our economy. The materials of checks made by statistical, financial, bank, and law enforcement bodies last year indicate that the situation with ensuring the reliability of report data remains unfortunate. Cases of deceiving the state are uncovered everywhere. In a conversation with a TASS correspondent, N. G. Belov, first deputy chairman of the USSR State Committee for Statistics, talks about how matters stand in a number of national economic sectors.**

[Belov] Unfortunately, the extent of padding at times not only does not decrease, but increases. Let us take reporting in capital construction. Whereas in 1986-1988 the share of projects, at which padding was uncovered, made up more than 6 percent of the number of those checked, in 1989, more than 7. State acceptance commissions sign and ministries, departments, and executive committees of local soviets approve deeds of acceptance of incomplete projects. Last year 430 production capacities and projects with an estimated value of more than 1 billion rubles and 154 projects for cultural and everyday purposes with an estimated value of 90 million rubles were put into operation illegally.

Despite the incompleteness of projects, last year S. Chasnyk, USSR deputy minister of heavy machine building, A. Tarakin, former USSR deputy minister of construction, road, and municipal machine building, and Yu. Drobayzgo and V. Artemyev, former USSR deputy ministers of construction in eastern regions, approved deeds of acceptance for operation of production capacities at the Krasnoyarsk Heavy Excavator Plant and the Faleshty Sidewalk Cleaning Machine Plant in Moldavia and deeds of acceptance for operation of a large-panel house building plant in the city of Usolye Sibirskoye in Irkutsk Oblast and of a concrete block production plant in Ulan-Ude. On 30 Jan of this year, V. Artemyev, RSFSR deputy minister of construction in eastern regions, approved a deed on commissioning a start-up complex with an estimated value of 4.3 million rubles for the output of 100,000 square meters of parquet paneling at the Shimanovsk Sawing-Woodworking Combine in Amur Oblast. And this despite the fact that the deed of the state commission was not signed by representatives of the financing bank and by the inspector of the sectorial trade-union central committee.

[Correspondent] And what about reporting in housing construction?

[Belov] Alas, here the procedure of acceptance of projects established by the USSR Government is also violated almost everywhere. More houses not provided with electric, gas, and heat supply, without sewer systems, and with other defects have begun to be accepted.

Checks made by people's controllers and statistical and bank bodies uncovered residential buildings with a total area of almost two million square meters, which were accepted with violations. Of them, the share of projects financed by the USSR Industrial Construction Bank amounted to almost 920,000 square meters, by the USSR Bank for Housing and Municipal Services and Social Development, 640,000 square meters, and by the USSR Agro-Industrial Bank, 366,000 square meters. During the fourth quarter of last year alone more than 360,000 square meters of living space were excluded from statistical reporting.

The volumes and cost of construction-installation, drilling, geological surveying, and equipment turned over for installation are also overstated. The highest indicators "were attained" in the agro-industrial complex, that is, about 57 million rubles, as well as in the USSR Ministry of Petroleum and Gas Industry, that is, more than 11 million rubles, in the USSR Ministry of Power and Electrification, that is, 8.4 million rubles, and in the USSR Ministry of Motor Vehicle and Agricultural Machine Building, that is, almost 6 million rubles.

[Correspondent] What position do sectorial staffs take?

[Belov] Essentially, ministries and departments of the USSR and the Union republics and local management bodies have tried to get out of solving this problem. Falsifiers are not made properly accountable for their actions. Last year not a single material on padding was sent to procuracy bodies on the initiative of ministries and departments! Meanwhile, according to the exposed cases alone, the damage due to it amounted to 29 million rubles. Illegal wage and bonus payments made up more than two-thirds of this amount.

[Correspondent] Under the new conditions of management, an exact observance of contractual obligations to deliver products acquires ever greater importance. Evidently, however, here too it is impossible to do without padding!

[Belov] Last year, padding amounting to 130 million rubles was uncovered. Padding of the volume of paid services amounted to 10.4 million rubles. Distortions in reporting on various indicators were detected at 71 out of the 75 checked enterprises of the USSR Ministry of Motor Vehicle and Agricultural Machine Building. Illegitimate actions of officials led to an illegal wage and bonus payment of 320,000 rubles and to the lack of receipt of 2.2 million rubles in favor of the state budget. In the system of the USSR Ministry of Heavy Machine Building, distortions in reporting were detected at almost all the checked enterprises!

[Correspondent] Probably, the "padding" epidemic did not bypass other national economic sectors as well.

[Belov] Cases of falsification were uncovered at many enterprises and organizations of the USSR Ministry of Metallurgy, the USSR Ministry of Civil Aviation, the USSR State Committee for Forestry, and a number of republic ministries. Checks by construction organizations at 30 trusts of the USSR Ministry of Construction of Petroleum and Gas Industry Enterprises uncovered padding and distortions in report data on the volume of contract work amounting to almost 17 million rubles in subdivisions of 25 trusts, on the production cost of construction and installation work and profit amounting to more than 9 million rubles in 14 trusts, and on the volume of paid services for the public amounting to more than 1 million rubles in 11 trusts. Padding caused an illegal increase of 4.6 million rubles in wage funds and a drop of 8.3 million rubles in payments to the budget.

The low accounting discipline and irresponsibility on the part of officials at enterprises and organizations of the agro-industrial complex of all the Union republics create the basis for mismanagement and misappropriations. Whereas in 1988 distortions in data on the sale of livestock and poultry for slaughtering were uncovered on one-fourth of the checked farms, in 1989, on almost one-half.

Nor has "cotton" padding been eradicated. For example, in the Turkmen SSR the chairman of the Kolkhoz imeni K. Marx in Kirovskiy Rayon was sentenced to a long prison term for this. Criminal proceedings were instituted in connection with cases of raw cotton padding at the Ioltan Cotton Cleaning Plant, where a deficiency of "white gold" worth 9.5 million rubles was uncovered.

Now the USSR State Committee for Statistics, jointly with economic, controlling, and law enforcement bodies, is developing proposals on additional measures of economic effect on falsifiers and increase in the moral and financial responsibility of collectives and individuals responsible for the organization of recording and reporting. Appropriate proposals will be submitted to the USSR Council of Ministers in accordance with the established procedure.

From the Editorial Staff. Of course, some measures for the fight against falsifiers, in principle, are needed for the future. It is obvious, however, that everyone should also be responsible for the committed padding according to existing norms. Readers expect the managers named as guilty of distorting reporting to give their explanations on the pages of RABOCHAYA TRIBUNA.

INVESTMENT, PRICES, BUDGET, FINANCE

Measures for Stabilizing Monetary Situation Studied

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[Article by USSR Gosbank scientific research institute of banking director A. Khandruyev and Candidates of

Economic Sciences S. Rodionov and Yu. Babicheva: "Stabilizing the Currency: Problems and Paths towards a Solution"]

[Text] It is impossible to bring about successful radical economic reform without stabilizing the currency, achieving a commodity-money balance, and raising the purchasing power of the monetary unit. As early as 1924, V.V. Novozhilov wrote that "damaging market monetary indices (prices) or damaging the currency-measuring units (through inflation) amounts to damaging landmarks along the difficult path to organizing the national economy." These words have not lost their relevance even today, as the recovery of currency circulation becomes one of the necessary conditions for radical economic reform.

Since the state of finances and the currency reflects the economic situation that has evolved, the main path to recovery lies in a structural overhaul of the economy, the growth of labor productivity, increasing supply and improving the quality of goods and services, eliminating the budget deficit, and improving the entire economic mechanism.

No less important are measures to set up uninterrupted credit and financing services of economic turnover, to stabilize the national unit of currency, and to create a scheme for managing the nation's credit system which is adequate to the new economic conditions. And the next reserve that naturally deserves attention is putting currency management in order, strengthening discipline in planning and keeping accounts, increasing the organization and effectiveness of results of economic analysis, and unifying recording and reporting, bringing them in line with established international norms.

But of course it is impossible to guarantee the currency's stability with these means alone. A deep reserve lies in the improvement of the nation's practice of planned guidance of currency management. In essence, this means the development of a fundamentally different approach to managing money which allows the long-term provision of, on the one hand, the preconditions for a stabilized currency, and on the other hand, the economic mechanism for bringing it into accord with the turnover of stocks of goods and material, depending on the direction of economic development. What has caused the growth in inflationary tendencies and the exacerbation of the material and financial imbalance?

In our view, the main reason for the disruption of stability in the currency is the contradiction between the multipurpose nature of the problems being solved and the limited resources available to society, particularly means of labor and skilled personnel. The desire to solve socio-economic problems at a forced pace in the presence of a shortage of developed material preconditions gives rise to a tendency to "pump up" payments into the national economic turnover. Inflated financing is used to compensate for a narrow accumulated base and limited means of increasing individual income and public funds

of consumption. The natural result of this is an increasingly greater gap between nominal and real economic growth and between supply and demand. In order to reduce it, the government continues to support high investment activity, directed primarily at the building of new enterprises and at entrepreneurial development of branches of the first subdivision.

As a result, inflationary financing is becoming the lever for a structural policy based on artificially moving resources from branches of the second subdivision, which provide real goods in exchange for the population's income, to branches of the first subdivision, which is increasing effective demand without goods in exchange, at the expense of the growth of the wage fund and other payments.

A result of surplus financing and miscalculations in structural policy, the commodity-money imbalance will in time become the point of departure for extensive management of the economy. Raising the volume of economic activity increases the burden on the nation's investment complex and gives rise to increased demand for additional resources and a supplementary work force. Consequently, the imbalance spurs on a quantitative increase in production potential. In its turn, the use of factors of extensive development promotes unwarranted tensions and deficits in the national economy.

Striving to overcome economic backwardness as soon as possible and make large-scale structural changes by means of a sharp increase in the volume of capital construction will lead to a transformation of the money for current consumption into a source of expanded production which is accompanied by an increase in the amount of the accumulation fund in the national income. However, a rise in investment activity cannot continue without end, and at a certain stage some of the capital investments become surplus. This intensifies the material-financial imbalance, and the national economy is unable to "absorb" the turnover of capital investments with an increase in the real cost of construction and the prolongation of its term. The imbalances and "bottlenecks" caused by surplus financing prompt their removal at the expense of additional capital investments. This is how "investment syndrome" is created, marked by excessive capital investments, the rationality of their structure and unwarranted expenditure of money.

No less an essential sign of trouble and a powerful factor in inflationary processes is the growth of wages and payments from public consumer funds at a rate that is disproportionate to the increase in real consumer funds. The situation is particularly aggravated when structural policy is oriented towards raising the proportion of branches in the first subdivision. Because of this the population's purchasing power, although it is subject to limitations, is gradually increasing. At the same time, redistributing material, financial, and labor resources from agriculture and group B to industry in branches of the first subdivision leads to a relative decrease in the variety of goods offered on the market of goods for

national consumption. Effective demand is gradually beginning to increase resources in the internal market. Part of the population's cash income is not used to pay for goods, and this adversely affects the material stimulation of labor. Interest in increasing labor productivity, which is usually "pulled up" along with a growth in salaries, declines.

The present system of price formation is equally a factor in inflationary pressure. On the one hand, directive control over prices does not allow the surplus money supply to actively influence the dynamics of prices. Thus, inflationary phenomena are translated into the terms of a hidden flowing process. On the other hand, the system of strict price formation acts as a relatively independent factor distorting prices while there is a simultaneous tendency for them to rise. This happens because of a number of circumstances.

First of all, artificially fixing prices as well as disrupting their relation to the dynamics of production, supply and demand leads to their failure to converge with changes in socially necessary labor expenditures. It is necessary to establish subsidies for individual groups of goods financed by the sale of other goods at raised prices. Secondly, low prices do not create an interest among producers in raising the quality and improving the assortment of goods, particularly in capital-intensive branches. All of this leads to hidden price increases, which are given a push by capital-creating branches. Added to this is the growth in the cost of fuel and power resources as a result of worsening conditions for extracting them. For this reason, capital-consuming branches, primarily group B in industry and agriculture, which close the technological chain and are unable to respond with an adequate price increase, experience the pressure of the rising cost of production.

A rather paradoxical situation has developed: fixing a low price level, and thereby driving the symptoms underground without treating the condition, has held back the inflationary process to a certain degree, but it has simultaneously generated powerful inflationary impulses: it has prepared the ground for so-called psychological inflationary factors to take effect under conditions of a deficit economy.

But unfortunately, that is still not all. In speaking about the inflationary potential of the current system of price formation, one cannot avoid mentioning the negative social effects that are emerging. Raising effective demand over supply when prices are stable leads to the necessity of setting norms in this or the other form for the sale of goods (for example, a system of coupons or clearance sales) and to the adoption of often unfounded priorities. That part of the population which does not share these priorities cannot use its income in full, or it uses it in part to buy goods at high prices. In both cases it is hurt economically. Moreover, equal amounts of money are paid for the same labor which, depending on the place and conditions, are of differing real value.

A no less weighty role in supercharging inflationary processes is played by the modern money-credit system, which is based on paper money circulation and which facilitates a virtually obstruction-free transformation of these inflationary impulses from potential to real. Received from the production sphere and from circulation, they are transformed by a money-credit mechanism into surplus payments which intensify the material-financial imbalance. As a rule, the task is set of regularly meeting the demands of the national economy for loans. Under conditions of high investment activity and with the prevalence of extensive forms of economic management, financing takes on an inflationary character. The government's excessive outlays lead to a chronic budget deficit (120 billion rubles in 1989). Non-industrial expenses and financial "lags" are being financed by means of credit.

A gradual liberalization of conditions for granting credit is taking place, and an inflationary spiral is beginning to take effect. An increase in the volume of the credit that is granted indicates a growth in the money supply, and that leads to both a swell in effective demand and inflation. In turn, a devaluation of currency is necessary to compensate for the increase in the volume of credit granted, and this is accompanied by an increase in the money supply, growth in demand, and inflation. The currency continues to devalue, and a situation develops in which there is an acute shortage of money in the background of an apparent surplus. Inevitably, the distinction between budget financing and the advancing of loans is erased, and credit begins to fulfill a function for which it is not intended.

An almost decisive factor in inflation under the new conditions of management is the money-credit mechanism itself, which was devised under conditions of a strictly centralized economy and met its requirements. The present system in the USSR for drawing up cash and credit plans and a balance of the population's income and expenditures leads to the ability of USSR Gosbank, which nominally has a monopoly on the right to issue ready money, to regulate the issue of money within the framework of a cash plan. However, in actuality this monopoly is undermined by the decentralized nature of deposits, and an artificial gap emerges between the management of ready and non-ready cash turnover.

The present system of planning for currency and the aggregate money turnover is essentially flawed. The main flaw lies in the fact that in between drawing up regular composite credit plans, USSR Gosbank, acting on behalf of the government, has no real economic reins of influence on the size of the issue of credit. Verification of USSR banks' compliance with "limits on credit resources," a measure towards their effective administrative redistribution, is not an obstacle to inflationary swelling of effective demand or to an increased material-financial imbalance. The credit plan may stipulate an increase in the volume of debts in bank credits at the end of a planning period to a level above real credit resources available on the date the plan is drawn up. The resources

that are absent during the process of granting credit are created by the banks themselves within the established limits, since balances on accounts are increased by the amount of credit advanced. After the composite credit plan is approved, the limits for granting credit will no longer depend on the volume of real credit resources, which can change significantly in the space of a year.

A priority focus on methods of economic management and the all-round introduction of principles of full khozraschet [economic accountability] put new demands on the organization of the nation's money turnover and the practice of planning and managing currency circulation and credit.

Broadening the network of reemerging commercial banks in the USSR, including share, joint-stock, and cooperative banks, along with the development of credit-financial operations that are not traditional for our nation, including stock reserve funded, funded, and leasing operations as well as commercial credit within the framework of the present credit-money mechanism, will inevitably lead to an increase in inflationary pressure, aggravation of the problem of surplus payments, and a worsening of the financial-material imbalance.

Maintaining the given system of planning and management under conditions of the widening rights and independence of commercial and cooperative banks is fraught with serious consequences for the state of currency circulation. Additional surplus payments could enter circulation, for example, when commercial banks borrow money from state specialized banks, since a commercial bank's resources, and with them the volume of credit, increase by the amount of the loan.

A growth in credit investments by special banks without regard for the current size of real credit resources automatically indicates a surplus increase in money on the accounts of enterprises and organizations and, it follows, a growth in effective demand. To the extent that this is accompanied by an unjustified growth in the wage fund and other disbursements to the population, the surplus increase in money on these accounts leads to additional demands for the issue of ready money by USSR Gosbank. If these demands cannot be satisfied within the framework of the rights Gosbank has in accordance with the cash plan to issue ready money into circulation, then delays will occur in the payment of wages and other disbursements to the population. In such cases Gosbank must petition the government for permission to issue money into circulation over the amount stipulated by the cash plan.

It should also be noted that developing direct economic ties makes it difficult to regulate the supply of money in circulation by means of establishing limits in compound credit and cash plans, since difficulties arise in determining their economically based dimensions, especially as they are broken down by regions.

Activating the use of commodity-money relations within the framework of the present credit-money mechanism

can lead to the basic economic indicators characterizing the state of the currency in the USSR—the money supply and the volume of credit—no longer being under the strict control of the government. Thus their exact and direct calculation grows significantly more complicated. Revising the planned balances of the money turnover in such a situation loses its meaning, since it can create the conditions for an inadequate supply of money to rayons and a shortage or surplus of money in individual regions.

The balance of the population's cash incomes and expenditures ceases to be a sufficiently reliable instrument for the analysis of the dynamics of currency circulation. It is more apt to say that it sets a lull and only embraces the consumer sector of the economy at a time when under new conditions of managing, enterprises and organizations are more and more actively resorting to the services of small-scale wholesale trade. Further, this balance is not linked to changes in the dynamics of such indicators as national income, level and balance of prices. Finally, using the balance of the population's cash income and expenditures as an instrument of planning will complicate the future development of decentralized currents of commodity and material prices, particularly in connection with the development of the cooperative movement.

When speaking of the stabilization of the currency, the greatest danger of all is falling into the temptation of "leftism," rashly suggesting monetary reform, the one-time withdrawal of surplus money, administrative restructuring, etc. This would mean a struggle with the effects rather than the causes of inflationary phenomena. Of course, the problem of withdrawing "surplus" money from circulation cannot be taken off the agenda, but it must be solved expeditiously using economic methods.

In our view, the path to monetary reform which calls for exchanging our present currency for new currency with certain restrictions is out of the question. That would mean the partial confiscation not only of money gotten by dishonest means, but above all of real savings from wages. Moreover, a one-time decrease in the money supply still does not guarantee the stability of the currency. It is essential to create a trustworthy economic mechanism which provides constant support to the balance between supply and demand. The difficulty lies not only in the imbalance of the population's present-day income and expenditures, but also to a greater degree in the fact that the currency circulation is burdened with surplus money, in the form of ready cash and accounts that have accumulated over the course of the previous period.

It would be unrealistic to suggest that we can get rid of inflationary processes with one blow. Therefore, for a certain amount of time we need to learn to live and manage the economy under the conditions of a devaluating currency. However, these processes must be controlled.

What are the paths to stabilizing the currency? Together with a complex of measures of a general economic order,

the restructuring of the mechanism of control over the nation's currency management, about which we will now speak further, has been called upon to play the most important role.

Under modern conditions, the strict division of the combined money turnover into ready cash and non-cash or the unambiguous demarcation of the principles and spheres of the circulation of ready cash and non-cash has lost its meaning. The lines between ready-cash circulation and non-cash turnover are becoming less and less distinct with the expansion of decentralized monetary and commodity currents and in accordance with the development of wholesale trade and cooperative and individual labor activity. Their mutual transformation is eased by the automation of non-cash transactions. As a result, such a division has lost its economic meaning and is of an essentially technical character.

Unity of the money turnover presupposes the creation of a single system for its regulation, management, and control on the part of USSR Gosbank. This system is called upon to: answer to the maximum degree the interests of individual economic units and the entire national economic complex as a whole; structure itself according to economic principles; guarantee that "built-in" stabilizers work and that effective methods of control and regulation of the aggregate money supply are being used.

A combination of market and decentralized beginnings in the USSR economy requires that an entire complex of instruments of both short and long-term influence be in place, along with effective means of analyzing the state of the money turnover.

If we look at the given problem from the point of view of enterprises, then it should be emphasized that the goal of the new system for controlling the aggregate money turnover, which is based upon ready-cash and non-cash turnovers being in keeping with the same laws, is to provide the conditions for independent economic activities as well as personal and economic initiative among enterprises on full khozraschet. The system should make it possible for them to truly have ready and non-cash money at their disposal and to choose the banking establishments that will serve them. Payments should be made a prerogative of economic units themselves, and this will strengthen their position as owners of the means of production and increase their responsibility for the results of financial-economic activities.

In connection with this, I think it would be expedient to construct a system of management for aggregate money turnover based on the following principles. The growth range for the currency turnover in the country, ready-money and non-cash components, should be determined every year (and revised every quarter) based on control figures. Calculating potential growth rates of aggregate money turnover should be guided by the use of an economic-mathematical apparatus of the functions of monetary supply and demand. The normative capacity

of aggregate money turnover as well as the potential demand for money and credit should be calculated on the basis of these figures and according to the established planning macroeconomic indicators.

With the aim of effectively controlling and influencing the dynamics of the money turnover, keeping it within established limits, it would be expedient to use a mechanism of money and credit regulation that includes flexible percentage rates, among them the rates for USSR Gosbank credit to commercial banks, standards of reserve demands, a system of interbank calculations through reserve accounts of commercial banks at Gosbank and also a system of standards of bank liquidity, and, with the development of fund operations—official operations of Gosbank with commercial banks for the buying and selling of securities. Drawing up balances of the population's income and expenditures can serve as an additional means of analysis and verification of the state of the money turnover.

One of the fundamental conditions for effectively verifying the state of the money turnover is the strengthening and strict observance of the monopoly right of USSR Gosbank and its institutions to issue money in both cash and non-cash forms. The operations of all other banking institutions should, of course, determine the structure of the distribution of money without changing its total volume.

In connection with this, it would be judicious to raise the issue of devising a new approach to determining the limits and structure of the supply of money in circulation. Taking into account the blurring of borders between ready-cash and non-cash turnover, it appears expedient to switch to the use of a complex of money supply indicators in analytical calculations. A quantitative profile of the aggregate money turnover and its components can find its reflection in the construction of various indicators of the money supply in the USSR, including real and potential money which can be used to maintain economic turnover.

In our view, liquidity may be used as the chief criterion in various indicators of aggregate money turnover. This is the cost and speed of conversion of individual forms of deposits and savings in money as a direct means of circulation and payment.

The following can serve as the goals of stabilizing the currency turnover: the unification of bank accounts and bookkeeping according to world standards, the organization of an integrated system of accounting and analysis, and the regular publication of data on the state of currency management.

In general, a classification of monetary indices that takes into account the specifics of the money turnover in the USSR can be presented in the following way.

The index D0 is introduced to characterize the amount of ready money. It is made up of ready money in the hands of the population and money in the cash reserves

of enterprises, institutions and organizations. The index D_1 comprises the index D_0 plus the remaining assets in the current accounts of enterprises, organizations, and banking institutions. The index D_2 includes all of the components of D_1 plus the population's call deposits and deposits of juridical and physical persons with compound conditions of use depending on their maturity. The index D_3 consists of D_2 plus time deposits by the population, enterprises, and organizations. The index D_4 includes D_3 plus shares, bonds, and, with the development of credit circulation, promissory notes held by members of the population, banks, and individual economic units. The index D_5 is the widest indicator of the supply of money in circulation. It is made up of all of the constituent parts of the aggregate money turnover without exception. It includes D_4 plus all assets in foreign currency belonging to the population, banks, enterprises, and organizations. The indices (D_4 and D_5) quantitatively reflect the maximum possible aggregate effective demand for goods and services of private as well as industrial consumption.

The indices D_0 and D_1 make up the high liquidity part of the money supply, or all of the assets of the money turnover which without preliminary sale, conversion or any other kind of financial operation are used in the calculations and have the highest liquidity. The most adequate index of the money supply is index D_1 , all of the components of which are characterized by high liquidity. The remaining components of the money supply can be used as means of payment and purchase with certain restrictions and after a number of intermediate procedures.

Today ready cash in circulation and money held in the current accounts of juridical persons or in the population's deposits (restricted and unrestricted) in the USSR Savings Bank make up the largest proportion in the structure of the money supply in the USSR. The remaining elements of the money supply are mainly at a developmental stage. Their importance will grow as the economic mechanism comes into being and increases in strength and as the corresponding kinds of bank accounts and operations are developed. A complex of indicators of the money supply, taking into account the specifics of each of them, will allow us to embrace the full parameters of the nation's money turnover and give a composite quantitative evaluation to developmental tendencies.

Absolute and relative indices of the money supply were approximated using the methodology indicated above for a period of 25 years—from 1962 through 1987—for the quantitative analysis of the state of the money turnover in the USSR and the dynamics of its constitutive elements.²

An analysis of the data on the dynamics of these indices testifies to the fact that in the last 20 years, beginning in 1965, the rate of growth of the aggregate money turnover (all of its components from D_0 to D_4)³ has significantly exceeded the rate of growth of the gross social product,

the national income, and the retail goods turnover. Moreover, this gap has increased at its fastest rate in recent decades. Within this very period the proportion of the aggregate money supply (D_4) in the gross social product increased sharply—virtually four times (from 7.9 to 30.4%), and ready money—almost three times (from 4.3 to 11.9%).

The given circumstances are a direct confirmation of the constant increase in the disparity between the supply of money and goods. In other words, in effect they act as an indicator of a drop in the purchasing power of the ruble by a minimum of three to four times. We are speaking of the minimum, since all of the calculations are made for current, and not adjusted prices. Thus, the amount of goods and services backing up the money supply essentially increases at the expense of growth in the absolute size of the gross social product, national income, and the retail goods turnover as a result of a price increase.

Research on the dynamics of indices of the money supply in absolute and relative terms shows that on the whole the movement of its individual indices is accurate. The fastest rates of growth are characteristic of indicators which reflect so-called deferred effective demand, the population's restricted and unrestricted deposits, investments in securities, etc. A significant increase in the rate of growth in the money supply is observed in the 1980's. In 1986 and 1987, the rate of growth for practically all indicators reached double-digit figures. The growth in the index D_0 held at the level of 10% per year in 1985 and 1986; D_1 increased 23 and 18% in 1986 and 1987; D_2 increased by, respectively, 15 and 13%; D_3 —by 14 and 13%; D_4 —by 14 and 12.5% each year.

A comparison of the rates of growth of the population's deposits in the USSR Savings Bank allows us to make analogous conclusions which are of little comfort. Beginning in 1962 the growth of savings regularly exceeds by practically two to three times that of corresponding macroeconomic indicators—the gross social product, national income, and the retail turnover of goods. An exception is the period of 1980-1982, when the rate of growth of the population's deposits came to 6.7, 5.9, and 5.2% in the years 1980, 1981, and 1982, while the gross social product grew by 4.5, 4.1, and 10.8%, respectively. The turnover of goods increased analogously in this period, by 6.5, 5.7, and 3.4% each year. The given circumstances can be explained by the expansion of imports as a result of a significant increase in the price of oil and the growth of hard currency earnings in 1980-1982. As a result, in the period examined there was a relative increase in the degree of saturation in the internal market because of expansion of the possibilities of importing goods, and the rate of growth in savings decreased.

Another indication of the highly unfavorable tendencies in the currency is a comparison of the dynamics of the growth of ready money and the population's deposits, which confirms both the necessity and acceleration of the process of converting the population's ready money

into deposits because of the inability to convert it into the appropriate goods and services.

An analysis of the dynamics of the relation between the population's deposits and ready money in the hands of the population shows that a greater and greater part of the ready money is "aging" in deposits. The relation between accounts and ready money has changed sharply in favor of accounts. The given proportion made up 56% (deposits) and 44% (money in the hands of the population) in 1962 and, respectively, 75.1 and 24.9% in 1987. The proportion of deposits among the population in the gross social product for this period increased five times (from 3.7 to 18.2%), and ready money—2.6 times (from 1.8 to 4.8%) at the same time that the share of the national income in the gross social product fell from 47.9% in 1962 to 40.9% in 1987.

Data on the decline in the mid-year growth rate of savings attract particular attention: 17.6% between 1962 and 1970; 14.4% between 1971 and 1980; 8.2% between 1981 and 1987. This indicates that in relative terms (i.e., relative to the mid-year rate of growth of the national income) the growth of savings is not really so great. And an analysis of the dynamics of the relation between the population's deposits and the growth in national income, or the so-called index of the tendency to save, testifies that the population is forced to save an increasingly greater share of its income (in comparison to the growth of newly created costs). Beginning in 1963 the tendency to save has increased by nearly seven times. This index had its greatest impact in the 1980's: in 1984 it was 9.4; in 1985—24.8; in 1986—27.3; and in 1987—21.2. And the gap between the dynamics of the growth of the national income and the population's deposits is increasing significantly, particularly in the '80's. It follows that the most negative aspect is not the growth of deposits per se, but rather the fact that they are growing out of necessity in the absence of the needed quality and quantity of goods and services produced.

Thus the analysis has come to this conclusion: life is sharply questioning the restriction of the fundamental channels for completing the turnover of surplus means of payment. Mentioned in the framework of this article were only the general features of a possible program of measures in the area of currency which is directed at its stabilization. At the same time, in combination with the measures of a general economic order for improving the economic situation in the country, they can have a significant and positive effect even under the conditions of a difficult transitional period for the USSR economy, when the old economic mechanism coexists with the new one, which is still trying to assimilate itself.

Footnotes

1. Novozhilov V.V. "Voprosy razvitiya sotsialisticheskoy ekonomiki." Moscow: Ekonomika, 1972, p. 74.

2. I.V. Gavrilova and O.V. Trokhova took part in making calculations and drawing up a scheme of approximate estimates for the corresponding indices of the money supply using the methodology developed by the authors. All calculations were made on the basis of data published in the collected statistical information of USSR Goskomstat.

3. Included in the index D0 were data on ready money in the hands of the population, including wages and similar payments. Money in reserve accounts of commercial and cooperative banks as well as in the cash reserves of enterprises, institutions, and organizations was not counted as a result of the absence of the appropriate data. However, since both of them at the present time are relatively insignificant in size, they cannot have a fundamental influence on the dynamics of the index D0. The indices D₁, D₂, D₃, and D₄ are calculated according to the scheme considered above.

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Emphasis on Social Sphere Reflected in Investment Priorities

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[Article by Prof V. Faltzman, doctor of economic sciences: "The New Conception of Investment-Structure Policy"]

[Text] The conception of investment structure policy worked out before the current 5-year planning period began, looked for accelerated development of the capital goods segment of machinebuilding and its arrival at advanced frontiers of scientific-technical progress guaranteeing technical reconstruction of the economy. But the results for the 1st half of the 12th FYP have shown that in view of the present state of this branch that conception, although capable of yielding appreciable socioeconomic results, will do so only in the remote future. Meanwhile, a great many social problems have accumulated in society (food, housing, the environment, health care, etc.) whose solution cannot be further postponed.

That is why a new conception of investment structure policy began to be shaped in 1988-1989. Its basic elements were formulated by the 19th All-Union Party Conference and the Congress of People's Deputies, and they were reflected in the debate of the plan for 1990 in the USSR Supreme Soviet. We have to assume that this conception will be the pivot of investment structure policy in the plan for the 13th FYP.

The essence of the new conception consists of redistribution of resources to solve social problems by utilizing the advantages of conversion, resource conservation, and optimum reduction of the volume of capital construction in the production sphere. By contrast with the conception based on the idea of transforming one of the

struggling sectors of the Soviet economy—the capital goods segment of machinebuilding, the principal emphasis in the new conception is placed on utilizing the potential built up in the two most advanced complexes—the defense complex and the fuel and energy complex.

Accelerated development of civilian machinebuilding and especially of technical reconstruction of the economy continued to be a long-range and strategic task in the program. This is the most important, if not the only source for intensification and for solving social problems over the long run. The orientation toward resource conservation remains in the new conception. But the attainment of advanced frontiers of scientific-technical progress across the board, especially in the area of high technology, is being postponed to a more distant future.

We will examine the new conception as it pertains to the three sectors of the economy called upon to play a key role in implementing it—the defense and fuel and energy complexes and capital construction. We attempt to offer some assessments of the effectiveness of the new investment structure policy and to reveal the general economic prerequisites for its implementation.¹

Defense complex. The strategic task of conversion is to speed up scientific-technical progress in the economy, which is to be guided along the line of developing volume production of science-intensive and socially oriented products (technically sophisticated consumer goods, medical equipment, instruments for environmental measurements and scientific research, up-to-date and highly efficient communications equipment, transportation equipment, and so on). The long-term results of conversion must be the spread of information processing and computerization in the economy, saturation of the domestic market with competitive science-intensive products and rapid growth of their exports so that they can replace the exports of petroleum, gas, and other raw materials.

The tactical priorities by contrast are aimed at producing in the defense complex high-quality equipment for the processing industry of the APK, the trade sector, the food service industry, and certain other products which are not science-intensive.

An analysis of the conversion program shows that its realization is capable of yielding appreciable economic results mainly beyond the limits set for solving the immediate problems of economic recovery. For instance, conversion's contribution to achievement of equilibrium on the market for consumer goods in 1988-1990 is anticipated in the amount of 12 billion rubles, while their total growth (not including the products of light industry) is anticipated at 50 billion rubles. In this case, conversion cannot significantly influence the equilibrium of the consumer market, on which there are at present about 150 billion rubles for which there are no commodity stocks. The intended fivefold growth of production of equipment for the processing industry in the defense

complex (over the period 1988-1995 it is expected to produce 17.5 billion rubles of this equipment, while in 1987 it produced less than 1 billion rubles worth), given the present time frame required for producing a new product, for activating new capacity, and for bringing it up to rated output, will have an appreciable influence on solution of the food problem long after 1990. It is sufficient to say that according to available estimates, the original plans for the output of that equipment in 1989 were fulfilled at a level of 10 percent, while at the same time prices rose tenfold. The planned increase of production of medical equipment in the defense complex (from 1 billion rubles in 1989 to 1.28 in 1990 and 2.8 in 1995) can appreciably influence the technical supply to the health service mainly sometime after 1990. Moreover, this requires increasing the output of medical equipment not threefold, but fivefold.

Conversion might make an appreciable contribution to solving the urgent problems of the economy provided there is a simultaneous sizable (as much as 25-30 percent or more) reduction of the volume of production of certain types of military equipment in 1990. This would make it possible to free several million tons of ferrous and nonferrous metals which are necessary to increase the load on capacity in civilian machinebuilding and partially for highly profitable exports (high-temperature alloys, titanium, etc.), as well as a large amount of fuel, energy, and components. Reduction of the armed forces and the weapons stock would also yield an immediate result.

The coefficient of the load on the capacities of the defense industry will be reduced in a planned manner. This reduction can be used to halt production for the reconstruction and technological preparation of the transition to new products, and, assuming the reduction of the plan is spread over time, it can be used to increase the reliability and other technical characteristics of products.

Passive ("lazy") conversion in the form of a temporary reduction of military production is being proposed as an extraordinary measure. It could yield a benefit provided the material resources made available during it are promptly put to economic use and do not sit in above-allowance inventories of defense enterprises, as is now the case.

Fuel and energy complex. Its contribution to solving social problems can be realized in the form of two alternative scenarios. The first, which is the one that is traditional for the Soviet economy, assumes an increase in the production of primary sources of energy in order to obtain foreign exchange from the export of energy resources, subsequent use of that foreign exchange to buy food, consumer goods, and equipment. The second scenario is based on energy conservation and taking the load off the fuel and energy complex.

The growth of exports of raw materials, making it possible to solve certain socioeconomic problems, is

permissible only as an extraordinary measure. As a strategy it requires very large capital investments, which increase quickly with the declining efficiency of reserves of raw materials and the movement of their extraction to areas difficult to get to. A further growth of capital investments in the fuel and energy complex, along with the present ratio of those investments to investments in industry, which is 1.3-1.4:1, could quickly drain the Soviet economy dry.

Energy conservation by contrast makes it possible to reduce capital investments and to redistribute some of them to branches consuming energy. Since the specific costs of energy conservation are considerably less than those for increasing the production of energy resources, it guarantees an acceptable saving on capital investments in the production sector. The scenario of energy conservation presupposes more moderate growth rates of the fuel and energy complex and is cleaner from the environmental standpoint.

The possibilities of realizing that scenario depend in large part on the rate of spread of resource-saving technologies in the economy, above all on direct energy conservation, on its indirect manifestation through reduction of materials intensiveness, and also on development of labor-saving processes, which, at least when labor is mechanized, involve an additional consumption of energy. We accordingly made measurements of the rate of spread of 23 resource-saving technologies over the last 4 decades.

The average rate of dissemination of resource-saving technologies in the USSR over the period 1950-1988 slightly exceeded 1 percent per year, whereas in the United States it was approximately threefold greater. Here, the length of the period over which the share of new technology changed from 1 to 100 percent, i.e., reached the limit of its saturation, is 80-90 years. The average rate of resource conservation shows a declining trend: in the period 1971-1975 it was 1.8 percent per year; in the period 1976-1980 it was 1.4 percent; in the period 1981-1985 it was 0.8 percent; and in the first stage of the economic reform (1986-1987) it was 0.3 percent.

The main feature of patterns of resource conservation in the USSR that distinguishes them from the Western countries is the absence of acceleration of the spread of new technologies. As shown by the research we have done, the conditions for accelerating a majority of energy-, materials-, and labor-saving technologies in our country never mature. As a consequence, the classic S-shaped curves of the diffusion of technologies degenerate into straight lines with a small angle of slope relative to the time axis. The country's technical lag is growing. The relative share of many resource-saving technologies (such as continuous steel casting, the "dry" procedure in cement production) in the USSR, by contrast with the West, is far from the level of saturation and is located either at the beginning (17-18 percent) or in the middle (50 percent) of the way toward its limit.

The potential resource conservation could be realized in the 13th FYP if the average rate of their spread rose to 3-8 percent, as was the case in the seventies in the industrially advanced countries. The conditions for such a substantial acceleration of the spread of resource-saving technologies are as follows: economic reform guaranteeing the transition from the cost-plus anti-innovation mechanism to a cost-fighting mechanism receptive to scientific-technical progress; transition to a predominantly intensive pattern of renewal of fixed capital, in which new technologies spread not so much thanks to new construction as in the course of scrapping and replacing the outdated portion of the productive plant now in operation; and the availability of energy-saving equipment and available construction capacities.

The list of conditions for increasing the rate of spread of resource conservation in the economy indicates that in traveling this road we should not expect a rapid return within the framework of the urgent measures for economic recovery. With respect to gaining time, the traditional scenario of increasing the production and export of energy carriers, for all the shortcomings which we have noted, evidently has its advantages.

Capital construction. The drafting of the plan for the 13th FYP began with traditional discussion of the fundamental problem of investment activity. Advocates of a sizable reduction of the volume of capital investments in the production sphere advanced the following arguments to defend their position: the deficit in the state budget has to be eliminated; the solving of social problems can no longer be postponed to the future; the potential for even maintaining a high rate of accumulation has been exhausted, so there could be no question of increasing it; the breadth of capital construction has to be brought into line with the capabilities of the capital goods branches; otherwise, capital investments cannot be assimilated; there are scenarios for development of production that are not capital-intensive, such as the resource conservation strategy examined above; the further creation of new jobs for which labor resources have not been supplied is inadvisable; there must be restraint on departmental ambitions counting on a sectoral boom of capital investments, in particular those aimed at inefficient and environmentally dangerous projects of large size and "construction projects of the century."

Advocates of intensified investment doping advance the following arguments against reduction of capital investments in the production sphere. A decline of investment activity will cause a further slowing down of economic growth, which ultimately will worsen conditions for solving social problems in the future. This is accompanied by a decline of mobility, the economy becomes less manageable, and there are diminished opportunities for rapid changes in the investment structure and for acceleration of scientific-technical progress, especially for updating technologies and fixed capital, whose physical wear continues to rise. The bounds within which accelerated growth of science-intensive production groupings is possible are narrowed. Beyond certain limits, the

threat arises of "eating up" the accumulated fixed capital. Additional development of housing construction and construction of other projects for nonproduction purposes requires a growth of capacities for the production of building materials. Vigorous growth of the capacities of the capital goods complex is required in connection with the creation of new jobs in the spheres of nonmaterial and material production. Since both these and other arguments deserve attention, the problem of the optimum scale of capital construction of production capacities needs to be specifically discussed. We will set forth certain considerations concerning this question.

The alternation of periods of elevated and reduced investment activity generates economic cycles. If investment cycles coincide with cycles of innovation, then they promote acceleration of scientific-technical progress. But in any case cyclicity means that capacities for the production of machines and equipment are underloaded, and it also signifies other adverse economic consequences.

A high level of investment activity presupposes the possibility of actually attaining high efficiency of capital investments. Only under that condition is society ready to defer a portion of its present requirements in order to satisfy them more fully in the future. However, the experience of economic activity indicates that quite often the anticipated efficiency of capital investments has not been confirmed, the fixed capital activated has not paid off, and as a consequence the social needs deferred have not resulted in a growth of their satisfaction in the future.

The unjustifiably rapid growth of investments in flexible automation is a specific confirmation of what we have said. At the present time, the USSR is manufacturing more machine tools with numeric programmed control than the United States, the FRG, England, and France taken together. The situation is similar with the production of other elements of flexible automation—robots, flexible production systems, and their modules. However, these expensive forms of technology are not affording the assumed return, they are not paying off, and they are discarded more quickly than ordinary equipment. One of the reasons is the low reliability of Soviet-manufactured industrial electronics equipment when there is practically no servicing and repair by the manufacturer. It would seem that we have to immediately reduce capital investments in flexible automation in the production sphere, bringing them into line with real operating conditions.

The optimum limit on the reduction of capital investments in the production sphere depends on their efficiency, and this in turn is determined by the specific local situation. For that reason, the task of optimizing investment activity cannot be performed from the center. Its performance must be based on appreciation of the specific conditions, and must be left to enterprises and local authorities.

It is important to take the following into account in substantiating the optimum scale of capital construction in the region: guaranteeing for every construction project (especially for the region's social program) the standard level of concentration of capital investments (at present, the average in the country is 60 percent of the standard); achievement of real balance between the total volume of capital investments in the region and the capacities of construction organizations, a reduction of construction time and unfinished construction to between one-half and one-third or even less; the intolerability of reducing the creation of new jobs in regions with a labor surplus; the mothballing of projects under construction or in operation that turn the region into an environmentally dangerous zone; prevention of the occurrence of sizable numbers of unemployed construction workers; opportunities for a multiple increase of market stocks and elimination of the shortage of building materials for sale to the public (in 1988, their share in production was, for example, 7 percent for lumber, 3 percent for cement, and 62 percent for corrugated asbestos sheet).

One of the national economic constraints that tends to reduce investment activity is the **inflation of the investment ruble**. In order to measure inflation, we constructed investment matrices of the intersector balance in physical and value terms, determined the energy component of fixed capital and capital investments, and used other alternative methods. As a result, we ascertain a price increase of capital goods which over the period 1971-1987 was 5-7 percent for industrial production capacities activated and 3-4 percent per unit of productivity of the equipment (according to official statistical data, these products became less expensive in relative terms). In the absence of a notable improvement of quality, these estimates of price increases are close to the rates of inflation of the investment ruble.

The latter mostly takes the cost form, inflicting greatest damage on the economy. In 1988-1989, under the influence of the broadening of the rights of enterprises and in the absence of competition on the markets for machines and equipment, investments, and manpower, the rates of inflation rose sharply. That is why measures to manage the inflationary process have become urgent.

In order to transform this process from one that is out of control to one that is manageable, the transition needs to be made from ignoring it in plans to measuring it on a quarterly and even monthly basis. Step-by-step corrections of capital construction plans should be made according to the results of measurements of the rate of inflation of the investment ruble. This would make it possible to avoid a definitive disequilibrium of capacities because of the failure to fulfill plans for their activation, which is random and entropic. At the same time, compensation for the increased expensiveness of capital goods presupposes creation of a planned reserve for capital investments in capital construction plans.

The estimate of the rates of inflation must serve as the basis for a new depreciation policy in which the size of

the depreciation fund would be established in view of inflation over the entire standard service life of machines and equipment. That would preclude the threat of "eating up" the accumulated fixed capital.

As a rule, the rates of inflation of the investment ruble have to be exceeded by the growth of capital investments in the production sphere just to maintain present rates of economic growth, which are close to stagnation, and so as not to slide toward their negative values. Otherwise, because of the uncompensated price increases, there will be an absolute reduction of the physical volume of capital goods (equipment in terms of units of productivity and the floor space and capacity activated). (That pattern has already been observed in the period 1978-1988.) Combined with the deterioration of the utilization of the existing productive plant, this will inevitably bring about a further decline of the rates of economic growth.

Reduction of the volume of construction of production facilities is undoubtedly among the urgent measures not only from the standpoint of its accomplishment, but also from the standpoint of obtaining results quickly. But the short-term benefit must not achieve dominance over the long-term social goals, the possibilities of whose achievement are embodied in current investment activity.

In conclusion, we will examine the effectiveness of the new investment-structure policy and the prerequisites for its realization. Up to now, it has been possible to assume that the need for additional capital investments to solve the priority social problems was approximately commensurate to the possibility for saving on capital investments in the fuel and energy complex and the defense complex. In the 13th FYP, capital investments in the health service are to increase at least fivefold, bringing them up to at least 5 billion rubles per year. Annual growth will be about 4 billion rubles. Capital investments in housing construction on an average annual basis must grow to at least 50 billion rubles, as against 33 billion rubles in 1987. The additional volume of resources to solve the housing problem (17 billion rubles) needs to be doubled, since we have to take into account investments in the corresponding social infrastructure. If we assume an increase in the share of capital investments to ensure the environmental safety of industry up to 30 percent (as in the United States), then their growth on an annual basis must be about 15 billion rubles. As a consequence, the additional need for resources to solve the priority problems of health care, housing, and the environment will increase to 50 billion rubles per year or more.

Consistent with estimates of the anticipated energy saving and specific capital investments, 20-25 billion rubles of investments could be made available per year in the fuel and energy complex. A sizable portion of them will go to carry out energy-saving measures in branches which are energy consumers. But capital investments in energy-saving technologies can be charged to the costs of environmental protection. We must add to this the

possible 1.5-2-fold reduction of the share of defense expenditures in the national income, which as a minimum must be 25 billion per year. At the same time, according to available calculations which were particularly approximate, between 1.5 and 5 billion rubles will go to the accomplishment of conversion in defense branches.

Thus, resource conservation and conversion alone can annually redirect about 50 billion rubles to social purposes, which approximately corresponds to the total amount of capital investments necessary to solve the urgent problems in health care, housing and municipal services, and the environmental area. But this quantitative comparison should not give rise to illusions that there are no problems.

The main obstacle in carrying out the new conception of investment structure policy results from the limited nature of intersectoral redistribution of financial resources because of the incomplete convertibility of the ruble. The latter's inconvertibility within the economy is manifested in the fact that commodities and supplies do not gravitate to the consumer ruble. For that reason, it is losing the characteristics of a universal equivalent that can be exchanged for any goods, since many of them are not available. In planning the redistribution of resources in the process of carrying out the new conception, then, we should take into account that redistribution is allowable only to the extent that it is possible to furnish the construction capacity, equipment, and other physical resources. Otherwise, there will be greater financial and physical imbalance, higher inflation, and larger amounts of unfinished construction.

The new conception of investment structure policy is based on acceleration of the spread of basic resource-saving technologies in the economy and on utilizing the opportunities of the potential for innovation and the high technologies of the defense complex. In order to implement it, the transition will have to be made from the policy of financing departments to financing the output of a new product and resource-saving technologies. This reorientation of investment policy is timely insofar as scientific-technical progress becomes the main factor in economic growth. It cannot be accomplished primarily from the center, and that is why self-financing has to be developed.

We should note that the problem of self-financing goes beyond the limits of accelerating scientific-technical progress. It is interconnected with a number of other fundamental problems of the economy: ownership (Who does the financing, who is in possession, or who at least is making the decisions on disposition?), regional cost accounting (khozraschet), reduction of the deficit in the state budget, financial regulation of equilibrium, management of distribution of profits and income among the enterprise, the ministry, and the state. Great hopes are being placed on self-financing with regard to improving the use of fixed capital, utilization of capacity and the

stock of equipment, and also restraining departmental ambitions for excessive investment activity.

The self-financing of capital investments must be aimed at increasing the **mobility of the economy**—its ability to adapt to the changing regional, national economic, and international conditions for the financing of the enterprise. Mobility is manifested in structural transformations, in the updating of products and fixed capital, in the diffusion of technology. In the final analysis, mobility determines not only the country's economic security, but also its defense security, its viability.

Self-financing can justify the hopes placed on it only in combination with other directions of the economic reform. Accordingly, the most important requirement which the reform must meet is attainment of high receptiveness of the economy to scientific-technical progress. An indispensable condition for increasing receptiveness is the transition to a cost-fighting economic mechanism that will promote the spread of resource-saving technologies.

Acceleration of scientific-technical progress will be aided by reestablishment of the interdependence of socioeconomic and scientific-technical goals and by liquidation of the present social dysfunctions. It is not permissible for the rise in the level of solution of social problems to be achieved independently of the spread of scientific-technical advances.

What we have said fully applies to the mechanism for management of conversion. Its emphasis must be on defense enterprises and based not on the command system, but on the economic interests of the work collective. It is important that conversion be accomplished in the mainstream of the economic reform, without allowing a return to the administrative-command mechanism, which in the defense complex is built on relations between the monopoly customer and the monopoly supplier.

One of the elements of the economic reform is the **restructuring of the statistics for measuring the results of reproduction**. Consistent with the social reorientation of reproduction, the gross national product has begun to be used in addition to the national income for measuring the efficiency of reproduction. Unlike the national income, it includes the results of all types of economic activity, including activity in the nonproduction sphere, where a sizable portion of the benefit of the new investment structure policy is to be realized. In computing the results of reproduction, we have to take into account the loss to the environment, to human health, the damage to future generations inflicted by the selling off of natural resources, impoverishment of the soil, and so on.

Attention should be paid to the proposals for improvement of the method of calculating the gross national product aimed at fuller measurement of the contribution to social well-being. For example, it is proposed that products for defense purposes and expenditures to maintain security services not be included in the results of

reproduction, since this is "an undesirable necessity," and its growth does not indicate a growth of social well-being.

The benefit of the new conception of investment structure policy must also be manifested in the sphere of **international cooperation and division of labor**. At the present time, the economic integration of the CEMA member countries and cooperation with foreign firms are based above all on exports of energy resources. Conversion opens up fundamentally new opportunities for scientific-technical cooperation and for joint production and export of the products of the manufacturing industry, including science-intensive products. At the same time, there will probably be a reduction of imports into the USSR of machine tools with numeric programmed control and certain other equipment for high technologies. As a consequence of the new investment structure policy, we can anticipate in the more distant future achievement of the country's favorable foreign trade balance with respect to science-intensive products.

Unless specific measures are taken in the field of **social protection of personnel**, the structural transformations based on resource conservation and conversion could create new sources of social tension, and in particular they could give rise to structural and regional unemployment. A socialist society cannot solve problems of increasing the economy's efficiency at the expense of certain groups of workers.

The problem of the social protection of people against the adverse consequences of structural perestroika can be considered solved when it produces not only a visible gain to the entire society, but also moral and material satisfaction to the real participants in that process. Each of them must be convinced that the changes taking place in his life are objectively necessary, do not worsen his material situation, and will help to improve his qualifications.

Social protection of the individual must be provided, first, along the lines of social security and insurance, in particular by creating funds to pay benefits for temporary unemployment, and for exercise of the right to housing in any region of the country. Second, education must take on the function of social protection of the workers which it has not had up to now. Accordingly, we have to set up a system for retraining specialists and for taking the individual approach to a person's abilities and skills. In the context of structural perestroika, a state information network is indispensable, making it possible to study and forecast the demand for manpower in a regional and structural breakdown.

Realization of the new conception, like any structural perestroika, involves an **economic risk**. It is on the whole more realistic than the conception of the 12th FYP. Elements of it such as the one-time reduction of the production of military equipment, the armed forces, or the volume of construction of production facilities are classified among measures without risk.

The reorientation of defense capacities to the output of high-quality, competitive, and especially science-intensive products is undoubtedly a more risky goal that involves overcoming a large number of constraints and difficulties and even the possibility of a general drop in the country's potential for innovation. It is equally risky to gamble on taking the load off the fuel and energy complex: Fulfillment of just one of the many conditions for acceleration of resource conservation can have the result that the transfer of capital investments from the sphere of energy extraction to energy-consuming branches will not yield the anticipated benefit and as a consequence will cause an energy crisis.

We should emphasize the **objective inevitability of structural transformations** contained in the new conception. For instance, it is not possible to postpone any longer the solving of many social problems. Accordingly, the necessity of conversion and even more the reduction of the total external load on the national economic complex, which is beyond its capacity, was dictated long ago by the interests of its development. Moreover, conversion is also objectively inevitable because the priorities of defense have in the USSR gone beyond those reasonable limits beyond which a lag occurs not only of civilian industry, but even of the defense industry. Overstrenuous plans for capital construction have become a heavy burden on the economy. The strategy of resource conservation is just as irreversible as the deterioration of the natural conditions and the increasing cost of the production and processing of raw materials.

The earlier these profound transformations, which are difficult for the economy, are carried out, the lower the risk of failure, the smaller the possible scale of adverse consequences, and the more significant the results will be.

Footnote

1. The problem of optimum distribution of capital investments among the various social purposes in the social sphere deserves particular analysis which falls outside the limit of this article. For example, between outlays for the environment and health care insofar as the latter is called up on to offset the adverse effect of the environmental factor on human health, or between investments in the environmental programs of various sectors and production groupings. Priorities in the sphere of science and education also require special examination.

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Proportion, Distribution of Wages in National Income Examined

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in Russian No 13, Mar 90 pp 4-5

[Article by Vadim Nikitovich Kirichenko, chairman, USSR State Committee for Statistics: "National Income: Fairness of Distribution"]

[Text] "*How is national income distributed in our country, what proportion of it are wages? I have encountered differing data in articles by different authors in the periodical press. Is it possible to get a definitive answer to this question?*" asks reader A. Pashko from the city of Vologda in his letter to the editor.

Other letters may also be cited from readers wanting to know what part of the created product goes to the workers themselves in the form of wages, what part is directed into the state budget, what part remains with the enterprise, and how it is subsequently utilized. Many readers also want to know how data on our country relate to data pertaining to other countries.

The editor's office asked Vadim Nikitovich Kirichenko, chairman of the USSR State Committee for Statistics, to answer these questions from our readers.

The growing interest in the question as to how national income created by the laborers is distributed is fully explainable. First of all, it is concern for social fairness in our society, which has assumed center stage in the years of perestroika. Dissatisfaction with material status, anxiety about the future, and the desire to find a solution to these problems are also contributing factors. The simplest solution is often selected: Why not redistribute that which is created in the national economy in a different way—so that everyone benefits? I also see the circumstance that mistrust in official publications still exists as a factor intensifying interest in redistribution. This interest is also encouraged by the fact that data interpreted incorrectly and sometimes even prejudiciously are tossed into the public arena by the mass media and in rallies and meetings. I once had to discuss wild revelations of this sort in the journal KOMMUNIST (this year's issue No 3, page 26).

I will now try to answer the questions specifically, utilizing various indicators for mutual verification.

The first approach is to isolate from the national income we produce that part which goes in the form of wages to workers in the sphere of material production, which is where national income is created. This is what is commonly referred to as necessary product, in contrast to the other part of national income existing as newly created value taking the form of the profit of enterprises, the sum total of which makes up added product.

Such division of national income is the result of its primary distribution. Accounts are maintained in actual prices of the corresponding period as a result of determining the balance of national income.

In 1985 the proportion of wages for workers in the sphere of material production was 47 percent of national income, it was 48 percent in 1988, and in 1989 it was around 51 percent.

But in the economy, things do not end with primary distribution of national income. Its redistribution begins, necessary in order to ensure maintenance of

those who are unable to work yet and those who can no longer work (the children and the elderly), and to maintain workers in the so-called nonproductive sphere (it would be better to say the social services sphere)—doctors, and workers of culture, education, state administration, public organizations and the mass media. Assets are formed to support operation of institutions in the nonproductive sphere—hospitals, polyclinics, schools, cultural institutions and so on.

How does this occur? The state and local budgets receive tax from the profits of enterprises and the population, transfers from the assets of enterprises into social insurance funds, and interest on earlier loans. Social consumption funds are formed, from which we pay pensions, aid and stipends in particular. Payments and benefits received by the population from social funds were 530 rubles per capita in 1985 and 650 rubles in 1989. There is income from the financial system as well: For example, interest is paid to the population on accounts in the Savings Bank and losses associated with all sorts of calamities are compensated to the population and enterprises in the prescribed order. This is of course a simplified scheme. But ultimately the proportion of national income going to satisfy the population's needs is growing, and part of its resources are being concentrated in institutions providing services to the public and fulfilling other socially meaningful functions.

As a result, the proportion of payments to the population (of the fund for consumption, accumulation and compensation of material and other losses to the population) was 61 percent of national income in 1985, while in 1988 it was over 62 percent.

Also significant to the population are material outlays by institutions of the nonproductive sphere in behalf of its needs, and capital outlays used to form nonproductive capital. The situation here looks as follows.

With regard for the above, the proportion of resources allocated in support of the public welfare (the population's current consumption and capital outlays on construction of housing and social and cultural facilities) was 79.6 percent in 1985 and 83 percent in 1989.

Thus the dynamics of national income, examined at different economic cross sections, reveal a tendency for growth of the proportion going to satisfy the needs of the population and the nonproductive sphere as a result of gradual and increasingly more consistent social reorientation of the economy's growth.

This is the long-range strategic line. As we can see, the data of recent years show that this process is really occurring.

Can we attain results more favorable to the population? The answer may sound trite, but it is valid: The first thing we need to do is increase labor productivity and reduce the material outlays of production in all places, so that the flow of the national income's resources that may be distributed in one way or another would become

larger. What is ultimately important to the population is, after all, not the proportion but the volume of blessings coming into its hands.

But if we are going to talk about the population's share in the national income nonetheless, there is one important prerequisite for raising it here as well: In order that it would grow, the structure of production would have to be changed in favor of objects of consumption. You're not going to channel cast iron and steel, forges and presses, and caustic or calcined soda into the consumption fund. First of all we can achieve a consistent rise in the proportion of the consumption fund and of residential, municipal, social and cultural construction within the composition of national income, and consequently of the proportion of national income enjoyed by the population, by increasing the volume and raising the proportion of consumer goods in total production of material blessings.

But for the moment we have a lopsided social production structure that is dominated to a significant degree by what is referred to as the first subdivision—production of the implements of production, which moreover are not being utilized effectively enough. Changing the production structure in favor of the consumer complex is the strategic line of our development, and it is long-range by nature. Acceleration of scientific and technical progress and universal introduction of effective resource-conserving procedures, economization practices and thrift at every work station are the foundation of this strategic course.

Considering the large scale and inertia of the national economy, the depth of the disproportions that have evolved and the backwardness of many areas of production, and especially of the material and technical base of consumer goods production, we cannot hope for this change in the structure to occur right away, suddenly. This is an objective of a long-range nature, but it must be pursued firmly and consistently. Changes have materialized here as well. For example in 1976-1980 the rate of growth of production of the implements of production in industry (group "A") exceeded the rate of growth of production of consumer goods (group "B") by a factor of 1.2, while in 1981-1985 the growth rates were approximately equal, and in 1986-1989 the rate of growth of consumer goods production pulled forward (by a factor of 1.3).

Consequently, the volume and proportion of investments into nonproductive construction are growing: In 1986-1989 the proportion of these assets in the total volume of capital investments into the national economy was 29 percent, as compared to 27 percent in the preceding five-year plan. This made it possible to increase the mean annual volume of available housing by 16 percent, of schools of general education and polyclinics by 38 percent and of hospitals by 15 percent in comparison with the 11th Five-Year Plan.

Emphasizing this to be an unconditionally positive phenomenon, we cannot fail to note one alarming symptom: The effectiveness of the planned program of housing, social and cultural construction has been declining in the last 2 years. Last year the annual plan for placing housing into operation was not met for the first time in the 12th Five-Year Plan. It turned out to be a sum total of 3 percent below the 1988 figure, including a 10 percent shortfall due to cooperative housing construction. Placement of housing into operation was 4 percent greater than the 1988 level only in relation to private construction.

Housing construction is a concern of local administrative bodies. The 1989 plan for placing housing into operation at the expense of all financing sources was fulfilled only in Kazakhstan and Kirghizia, while the annual program was fulfilled by only 75 percent in Georgia, by 77 percent in Moldavia, by 79 percent in Estonia and by 84 percent in Lithuania.

Housing construction was brought down by an ailment formerly typical mainly of construction of production facilities: The cost of unfinished construction grew by 22 percent, attaining 6.5 billion rubles by the end of 1989. Its ratio with respect to capital investments into this sphere attained 59 percent, as opposed to the 39 percent standard established for the 12th Five-Year Plan. The status of construction of social and cultural facilities worsened on the whole as well.

Obviously, it is not enough to foresee socially oriented shifts in the distribution of national income in the plans: Daily concern for the most effective utilization of the corresponding resources is also required.

Many readers of EKONOMIKA I ZHIZN are interested in a comparison of the structure of national income distribution in the USSR and in other developed countries. What are the results of such international comparisons?

Before presenting the corresponding data we need to discuss, at least in general form, a subject that may seem boring and tiresome. But it is necessary in order to make the nature of the final figures clear. The fact is that there are many methodological difficulties in international comparisons, resulting from differences in the methods

by which macroeconomic indicators are calculated in the USSR and in developed capitalist countries.

In particular, for the purposes of making comparisons we have to recalculate data on national income in, for example, the USA using our own methodology. Perhaps the most reliable basis for such recalculation is the intersector balance—an extremely detailed statistic of the sector structure of the economy, of the flow of products between sectors, of the structure of outlays, and of the end results of the annual reproduction cycle.

We will use the totals of the USA's intersector balance for 1982 (published in the April 1988 issue of SURVEY OF CURRENT BUSINESS). We do not have more recent publications at the moment.

According to these data, the USA's national income in 1982, calculated using Soviet methodology, was \$2,043 billion, of which \$976 billion, or 48 percent of the total, went for wages in material production (necessary product) as a result of primary distribution (as was noted earlier, this proportion for the USSR in 1989 was around 51 percent). Correspondingly, 52 percent of national income was added product. In other words, the ratio of added product to necessary product was 109 percent, while in our country it was 113 percent in 1985, 107 percent in 1988 and 97 percent in 1989.

It must be said that among the macroeconomic indicators, the gross national product (GNP) is used more widely in foreign practice. In contrast to national income, it embraces not only income in the sphere of material production but also income in the sphere of services, and it also includes the depreciation cost of fixed capital. Soviet statistics have recently begun compiling the GNP, which embraces all of the country's economic activity and which is basically calculated using methodology common to other countries. This is why it would be more preferable to employ this indicator in international comparisons.

Let us first look at the structure of the USSR's gross national product and the trends of its utilization. We see that final consumption of material blessings and services by the population is more than half of the GNP, and it has a tendency to grow: Fifty-four percent in 1985 and 55 percent in 1989. This trend is the product of both an increase in the proportion of household consumption expenditures and to a certain extent institutional consumption expenditures pertaining to household services (see Table 1).

Table 1. Utilization of Gross National Product (actual prices, billions of rubles)

	1986	1987	1988	1989
Gross national product	798.5	825.0	875.4	924.1
including:				
Overall end consumption of material blessings and services by the population	431.7	444.7	472.5	508.5
including:				

Table 1. Utilization of Gross National Product (actual prices, billions of rubles) (Continued)

	1986	1987	1988	1989
Household consumption expenditures	377.0	388.2	411.2	444.5
Public use of services provided free by state organizations and institutions	54.7	56.5	61.3	64.0
Gross accumulations (capital investments and the increment of material working capital)	255.5	264.8	276.1	287.6
Total expenditures of state administrative bodies, defense, science etc.	111.3	115.5	126.8	128.0

Table 2. Ultimate Uses of Gross National Product (percent of total)*

	USSR	USA	Great Britain	France	FRG	Japan
Total public consumption of material blessings and services	55.0	66.6	62.9	60.9	55.3	58.1
Gross accumulations (capital investments and the increment of material working capital)	31.1	13.0	16.1	20.0	24.9	32.3
Total expenditures of state administrative organs, defense, science etc.	13.9	20.4	21.0	19.1	19.8	9.6

*USSR—1989, other countries—1987.

As far as a comparison with, for example, the USA is concerned, the proportion of consumer expenditures is higher there. This is understandable, inasmuch as the services sphere is immeasurably more developed and diverse there, and moreover a relatively high value is placed on it. The proportion of total public consumption of material blessings and services was almost 67 percent in 1987.

As far as other countries are concerned, they have their own unique features. But the general pattern of distribution and utilization of gross national product may be seen from Table 2.

In all countries addressed in the table, the proportion of household consumption expenditures is higher than in the USSR. However, when we evaluate these data, we cannot forget the attained level of labor productivity, which is significantly higher than in our country. Nor can we forget differences in the structure of the national economy, which we are presently reorienting on progressive products.

does not come down to a growth of its scale within the limits of individual enterprises, but consists of an optimum combination of large-scale, medium-sized, and small enterprises relying on present-day standards as to the organizational and economic forms of management of social production on the basis of expanded enterprise independence, rejection of the principles of the distributive concept of management, and transition to an exchange model.

A simplistic notion of the concentration of production as a process of displacement of small and medium-sized enterprises by large ones, and among the latter by the largest, has taken shape in science and practice. These notions are based on subjective views of the supercapacities of direct social regulation of the process of concentration, which in practice has led to identification of production with centralization of production and on that basis a replacement of real socialization occurring from below and arising out of the needs for development of production itself by a sectoral socialization that is a formality. Development of concentration in that direction has reinforced the position of large and superlarge enterprises as the main producers and consumers of production resources, and the sectoral structure of management has in organizational terms formed the dictatorship of the departments.

Under those conditions, the holder of stocks, who operates in the name of the state as the monopoly distributive body possessing the right of distribution and redistribution of resources for production and consumption, figures as the master of the situation in the economy.

At the level of economic detail, these principles of management are embodied in the distributive conception, which essentially comes down to the following:

INDUSTRIAL DEVELOPMENT, PERFORMANCE

UDC 338

Quality, Competitiveness of Small-Scale Production Noted

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[Article by V.A. Maltsev: "Concentration of Production Under the New Economic Conditions"]

[Text] The conclusion is drawn on the basis of the analysis conducted that the concentration of production

- enterprises are allocated resources on a nonequivalent basis, the points of departure being declarations of need, the indicators in the production program, and the availability of resources. The quantity and quality of the resources being allocated are not related to the results of the final economic activity of enterprise collectives;
- the product produced, which figures in the form of production resources or consumer resources, is also distributed on a nonequivalent basis. The product, even if it is low-quality or deviates from the parameters envisaged in the contract, is forced upon the consumer, who must accept it, otherwise he will not get it at all. The price of the product is often not substantiated and contradicts the interests both of the producers and also the consumers. Thus, the principle of the voluntary nature of the forming of economic ties and flexible regulation of prices on the basis of supply and demand is violated;
- evaluation of work activity is divorced from the end results and therefore does not stimulate mutual responsibility between each worker and the collective of the enterprise on the one hand and on the other between the enterprise collective and society as a whole;
- money loses its role as a measure in accounting, especially in the movement of production resources, and as a consequence becomes impersonal. Credit relations come down to a mechanism for redistributing, subsidizing, siphoning financial resources on a nonequivalent basis for certain spheres of activity to others, and as a consequence the financial system functions in a curtailed and truncated form;
- in the consumption sphere, the gap widens between effective demand and the supply of goods, and as a consequence commodity-money imbalance and the excessive supply of certain commodity groups while there is an acute shortage of others are intensified. Prices do not correspond to actual production costs, they do not guarantee product quality, they do not bring about price competition, they do not exert pressure for the movement of the commodity to the consumer.

The dictatorship of the departments has had the inevitable results. Instead of a vigorous and flexible production system aimed at satisfying real needs, a conglomerate has been formed consisting of monopoly structures which are self-enclosed and are aimed at their own reproduction, having replaced the goals of social development by their own. If departmental control over resources is retained, the shortage of resources will be constantly reproduced, since it is a kind of charter of immunity when targets are not fulfilled in the state plan for economic and social development. It is no accident that over the long years in which this structure functioned it never became possible to shape a reliably operating system of standard rates of consumption and distribution of all resources not only at the intersector level, but even at the branch level. When the departments have a monopoly, there is no other way it can be:

After all, the setting of social standards as an expression of the needs for actual production figures as a restraint on monopolism. That is why the attempts to restore the economy to health by the "hands" of the departments, which have retained previous functions, have been obviously naive.

The long-term orientation toward predominant development in branches consisting of large and superlarge enterprises in an environment when the distributive conception held sway was objectively imposed by their importance as the principal guarantors of fulfillment of branch production programs. The need to maintain and broaden production activity of these enterprises served those branches as a weighty argument in justifying the need for centralized capital investments. That is why a production structure based on maximum self-sufficiency and independent of suppliers was created precisely on the basis of those enterprises. Nevertheless, under the conditions of the deepening division of labor this did not, nor could it have, result in the creation of complex, self-reproducing sectoral production structures, but to a considerable degree promoted a shrinking of intersector production cooperation and mutual exchange of scientific-technical information and the development of interrelated technological processes.

The sectoral orientation toward large enterprises required constant expansion of the list of products produced all the way to placement of one-time orders, which gradually resulted in a loss of the original specialization of the large enterprises and detracted from the efficiency of their operation, since the desire for maximum self-sufficiency when a long list of products was being produced resulted in a rise of production costs that was faster than the growth of the end results. In addition, the orientation toward self-sufficiency under the conditions of an unreliable supply system had the result that large enterprises became like high-cost subsistence farms—a large number of unspecialized auxiliary production operations poorly supplied and using outdated technology, manufacturing low-quality and at the same time very expensive products. Under those conditions, the efficiency of enterprise operation began to be evaluated (equated) with the quantity indicator—the volume of resources used and the gross output, regardless of the qualitative indicators of performance—reduction of socially necessary expenditures to produce the product and its usefulness to society.

Thus, under present conditions large and superlarge enterprises, continuing to function within the framework of monopoly structures and a slowly improving economic mechanism, objectively tend to aggravate the problem of shortages. The absence of competition on the domestic market and the impossibility of going onto the external market because of the lack of competitiveness allow them, in spite of state acceptance, to lower substantially the quality of the product and at the same time raise its prices, thereby offsetting technical backwardness and distorting the real level of operating efficiency

of those enterprises. Further development of the concentration of production in the direction of expanding the existing superlarge giants and creating new ones, whose activity is structured (and evaluated) on the old basis, can only accentuate the impact of adverse trends in the economy.

As enterprises make the transition to full cost accounting and self-financing, the specific consumer is being given a stronger role, higher requirements are being set for the quality and relative inexpensiveness of the product, and losses of it during storage and transport are being reduced. These objective requirements predetermine creation of new economic-organizational forms for regulating the process of the concentration of production, forms capable of stimulating the creation of flexible, diversified, and high-technology production that reacts quickly to changing demand and forms new demand.

One of the directions for the process of concentration under present conditions is the creation of flexible production structures on the basis of an optimum combination of large, medium-sized, and small enterprises. This relationship is determined in each specific case on the basis of the possibilities for furnishing them raw materials, supplies, fixed capital, labor and financial resources, for creating from these enterprises complementary technological units for producing an end product for production and technical purposes and consumer goods so as to take into account the estimated size of the regional, national economic, and external markets for the specific types of end product to be produced. The creation of industrial groups oriented solely toward the level of development a given region has achieved or toward the use of one of the economic-organizational forms of enterprises as the dominant one has been detracting considerably from the entire production system's ability to react flexibly.

The principles of so-called vertical and horizontal diversification are the basis for optimum combination of small, medium-sized, and large enterprises. With vertical diversification of production, enterprises producing intermediate products (for example, producing parts and individual assemblies; and the enterprises manufacturing the end product are part of a unified industrial production structure. Under the conditions of cost accounting (khozraschet), every such enterprise, which is a necessary complementary component of the industrial production structure, performs its economic activity independently. The nucleus of such a structure is a large enterprise performing the operations of final assembly and output of the end product, which is sold on the outside, conducting all accounts with consumers, building up the portfolio of orders, and filling the orders of many subcontractors who are suppliers of intermediate products.

In the context of vertically oriented diversification, the development of each individual enterprise that is part of a given production structure presupposes for stable joint development and solid positions on the domestic and

external markets the need for centralization of internal investments and the conduct of a single technical and technological policy. For this reason, the formation of a centralized investment fund on a joint stock basis figures as a paramount task in economic organization for these enterprises. It is managed by a board of directors of the enterprises making up this structure, and they in turn report to the workers' councils of their respective enterprises.

Horizontal-type structures bring together independent large, medium-sized, and small enterprises oriented toward the production of particular types of end products. Each such enterprise possesses high economic independence and at the same time depends more on the external conditions (the market for machines and equipment external to it and the market for sale of the end product). Oriented toward the production of the end product, it has a tendency to form a closed cycle of reproduction and therefore when there is a change in the list of products produced, it is forced to "supplement" its production-technology structures and to seek additional financial resources. On behalf of stable reproduction, they may create their own bank, which will finance development of joint production operations coming together on the basis of shares and serving joint needs: for example, certain types of castings, intermediate assemblies, parts for the production of a similar product, the manufacturing of tools and technological jigs and fixtures. Enterprises which are part of associations of the horizontal type have broad opportunities for establishing relations of industrial cooperation with other enterprises that are not part of that structure, i.e., they participate simultaneously in several industrial associations and are stockholders in several industrial groups.

The objective need for comprehensive use of primary physical resources and for creation on that basis of technological complexes guaranteeing that they are processed as thoroughly as possible is the driving force behind development of production structures of the vertical and horizontal types. The desire to reduce distribution costs and to create markets for sales of their products has the result that the production complexes incorporate their own sales centers, and the need to conduct a concerted financial policy takes the form of creation of a common financial center that keeps records and redistributes money within production structures and serves their external operations.

Thus, both vertical and horizontal diversification are aimed at creating commercial-industrial-financial complexes that possess high stability and competitiveness. In order to maintain positions on a highly competitive market, each such complex incorporates a scientific research center as an indispensable structural element engaging in applied and basic (structural) development projects. It has a joint stock bank, information support is unified, there is a service for making up aggregate orders and sales and inspection of product quality.

The need to create complexes consisting of large, medium-sized, and small enterprises in regions of the country, regardless of their sectoral subordination, is objectively imposed by the present regional distribution of the population and labor resources, by their predominant concentration in relatively few urban settlements.¹ For instance, in 1970 the country's 5,095 small urban settlements, representing 92.6 percent of their total number, had a population of 47.5 million, or 34.9 percent of the population of urban settlements. That same year, the 330 medium-sized urban settlements, comprising 6 percent of their total number, had a population of 34.6 million persons, or 25.4 percent of those living in urban settlements. On the whole, the population of small and medium-sized urban settlements in 1970 was 34 percent of the country's entire population. The pattern was practically the same in 1987: the 6,038 small and medium-sized urban settlements, comprising 97.9 percent of their total number, had a population of 98.6 million, or 53 percent of the population of urban settlements and 35 percent of the country's population. Over the period from 1970 to 1987, the number of small and medium-sized urban settlements grew 11.3 percent, but the population in them by 20.1 percent.

On behalf of optimum location of regional networks consisting of complex structures of large, medium-sized, and small enterprises, it is important to overcome the existing stereotype in evaluating the activity of small and medium-sized enterprises as inefficient in advance by comparison with large enterprises. There is a need in this connection for comparative quantitative characterization of the activity of small, medium-sized, and large enterprises (in a breakdown by the principal indicators of that activity), for an estimate of their number, and an evaluation of their operating efficiency.

Three indicators are used as criteria in statistics to group industrial enterprises into large, medium-sized, and small: 1) the total (gross) volume of output; 2) the number of industrial production personnel employed (PPP); 3) the average annual value of fixed industrial productive capital (PPOF).

Without engaging in a dispute over the advantages of each of these criteria, we should note that each of them possesses a number of shortcomings that cannot be corrected or eliminated within the limits of a single indicator, and that is why none of them taken separately can be used as a sole and universal criterion in making up groupings by the size of the enterprise. For instance, the indicator of total output can vary greatly from enterprise to enterprise as a function of the range of

products produced, the labor intensiveness of the product, capital intensiveness, and prices of components and of the finished product. The indicator of the number of PPP can distort the real picture because the actual number of employees does not correspond to the actual need for them. So enterprises with low technical adequacy, but a high number of PPP would be in the group of large and medium-sized enterprises, while those that are highly automated could end up in the group of small enterprises, although at the same time they could have high indicators for gross output and the value of PPOF. The average annual value of PPOF is also subject to distortive influences because of the unevenness of their supply and corresponding fluctuations in their value and efficiency, so that the boundaries between the groupings are eroded.

In order to reduce the distortive influence of factors and consequently to evaluate more reliably the efficiency of the activity of large, medium-sized, and small enterprises, we need to determine their quantitative limits more reliably. For each of the groupings given in the statistics, relying on the generally accepted criteria for classification with the established groups, the average value should be determined for the principal (criterial) indicators of enterprise performance, which make it possible to obtain a typical description of the small, medium-sized, and large enterprise.

In this particular case, the following values have been chosen as the initial values for calculating the average values for each group of enterprises.

1. In a sample containing the three groupings, those enterprises which have a total volume of output less than 1 million rubles, an average annual number of PPP less than 100 persons, and an average annual value of PPOF of less than 500,000 rubles are classified among small enterprises.
2. Enterprises with a total volume of output less than 10 million rubles, a number of PPP under 500 persons, and an average annual value of PPOF under 3 million rubles are classified as medium-sized.
3. All other enterprises, having higher values of the respective indicators than for the group of medium-sized enterprises, are classified as large enterprises.

On the basis of the data given in the statistics for the period 1971-1983, the scale of activity of small, medium-sized, and large enterprises can be estimated as follows (Table 1).

Table 1. Small, Medium-Sized, and Large Enterprises in USSR Industry

Indicators	1971			1983		
	Small	Medium-Sized	Large	Small	Medium-Sized	Large
Number of enterprises, thousands	19.2	20.9	8.8	12.3	19.2	13.9
Number of PPP, millions of persons	2.1	8.2	21.7	0.9	5.7	31.2

Table 1. Small, Medium-Sized, and Large Enterprises in USSR Industry (Continued)

Indicators	1971			1983		
	Small	Medium-Sized	Large	Small	Medium-Sized	Large
Volume of output, billions of rubles	17.5	89.3	222.9	10.3	84.9	656.2
Value of PPOF, billions of rubles	19.8	44.7	190.5	6.1	56.0	615.9
Electric power consumption, billions of kwh	5.5	48.9	466.0	4.4	33.0	799.7

The calculations make it possible to trace the following trend in the data. By 1983, the share of small enterprises in the total number of industrial enterprises had dropped from 39.3 to 27.2 percent, and the total number by 35.5 percent. The number of PPP employed in them dropped 55.7 percent, and the share of PPP employed at small enterprises dropped from 6.4 to 2.4 percent. The volume of output dropped 41.1 percent, and the share of enterprises in the total volume of industrial output fell from 4.4 to 1.4 percent. The value of PPOF dropped 69.2 percent, and the share in the total value of industry's PPOF dropped from 7.8 to 0.9 percent. Electric power consumption dropped 20 percent and its share in total industrial consumption from 1.1 to 0.5 percent. Thus, all indicators characterizing the scale of activity of small enterprises over this period declined, which indicates an absolute and relative reduction of the scale of activity of small enterprises.

A reduction with respect to practically all indicators occurred in the group of medium-sized enterprises, just as in the group of small ones. The number of enterprises dropped 8.1 percent from 1971, and their share in the total number of industrial enterprises dropped from 42.7 to 42.4 percent. The number of PPP employed dropped 30.6 percent, and their share in the total number of PPP of industry dropped from 25.7 to 15.1 percent. The volume of output dropped off 4.9 percent, and the share of output produced in this group of enterprises fell from 22.6 percent of total industrial output to 11.3 percent. The only indicator whose value rose was the average annual growth of the value of PPOF, which increased by 26.3 percent, but at the same time the share of PPOF of medium-sized enterprises in the total value of industrial capital dropped from 17.5 to 8.3 percent. Electric power consumption also dropped 32.5 percent, and the share of medium-sized enterprises consuming electric power dropped from 9.4 to 3.9 percent of total industrial consumption. Thus, in the group of medium-sized enterprises, just as in the group of small ones, we again observe a decline in the scale of their activity.

When small and medium-sized enterprises are taken together (MSP), their number dropped 8,600 over this period, the number of PPP declined by 3.7 million, the volume of production by 11.6 billion rubles, the average annual value of PPOF by 2.4 billion rubles, and the volume of electric power consumed by 17 billion kwh. The share of MSP in industry also dropped with respect to every indicator examined. Between 1971 and 1983, the share of MSP in the total number of industrial enterprises dropped from 82 to 69.5 percent, with respect to the number of PPP the drop was from 32.1 to 17.5 percent, with respect to the volume of output from 27 to 12.7 percent, with respect to the average annual value of PPOF from 25.3 to 9.2 percent, and with respect to the share of electric power consumed from 10.5 to 4.4 percent.

In the group of large enterprises, both an absolute and relative growth was observed with respect to all indicators without exception. The number of these enterprises increased 57.3 percent, and their share among all industrial enterprises increased from 18 to 30.6 percent. The number of PPP employed rose 43.5 percent, and the share of PPP of large enterprises in the total number of the industrial sector's PPP rose from 67.9 to 82.5 percent. The volume of output rose 2.3-fold, and the share of output of large enterprises rose from 73 to 87.3 percent of total industrial output. The value of the PPOF of large enterprises grew 3.2-fold, and their share rose from 74.7 to 90.8 percent of the total value of the industrial sector's PPOF. Industrial electric power consumption rose 71.6 percent, but the share of electric power they consumed in total industrial consumption rose from 89.5 to 95.5 percent. Thus, over this period the development of industrial production occurred mainly thanks to large and superlarge enterprises.

The efficiency of the activity of small, medium-sized, and large enterprises over the period from 1971 to 1983 can be judged from the figures given below (Table 2).

Table 2. Efficiency of the Activity of Small, Medium-Sized, and Large Enterprises

Indicators (For the Typical Enterprise)	1971			1983		
	Small	Medium-Sized	Large	Small	Medium-Sized	Large
Capital per worker (PPP), rubles	9.6	5.4	8.8	6.7	9.8	19.7
Power per worker (PPP), thousands kwh	2.7	5.9	21.4	4.8	5.8	26.6

Table 2. Efficiency of the Activity of Small, Medium-Sized, and Large Enterprises (Continued)

Indicators (For the Typical Enterprise)	1971			1983		
	Small	Medium-Sized	Large	Small	Medium-Sized	Large
Capital per ruble of output	1.1	0.5	0.7	0.6	0.7	0.9
Labor intensiveness, number of PPP per million rubles of [output]	117	92	75	89	67	48
Labor productivity of PPP, thousands of rubles	8.5	10.8	13.3	11.3	14.9	21.0
Output per ruble of PPOF	0.9	2.0	1.5	1.7	1.5	1.1
Output per kwh of power consumed	3.2	1.8	0.6	2.3	2.6	0.8

As the figures in this table indicate, large enterprises had higher values for the following indicators: the amount of capital per worker—39.6 percent higher in 1971 and 2.1-fold higher in 1983; power per worker—4.1-fold and 4.5-fold, respectively; capital intensiveness—10 and 44.6 percent, respectively; labor productivity—27.9 in 1971 and 46.2 percent in 1983. Over those same years, the following indicators had higher values in small and medium-sized enterprises than in large ones: the output-capital ratio—8.9 and 43.3 percent higher, respectively; output per kilowatt-hour of electric power consumed—3.2-fold and 3.1-fold; and labor intensiveness—11.1 and 44.9 percent, respectively.

Thus, the following trend has been manifested rather steadily: the level of the capital per worker and power per worker has been far lower at small and medium-sized enterprises than at large ones, and as a consequence the level of labor productivity has been lower, while the level of labor intensiveness has been higher. At the same time, the output-capital ratio and output-power ratio were essentially higher at small and medium-sized enterprises than at large ones. At present, small and medium-sized enterprises are developing primarily after a labor-intensive pattern; at the same time, the high values of the output-capital ratio and output-power ratio indicate their greater technical-and-economic operating capabilities. At small and medium-sized enterprises, there is a higher degree of responsibility for the end results, which results from the very size of these enterprises, which makes it possible for every worker to monitor practically the entire process of joint labor from the beginning to the output of the product.

If highly efficient industrial complexes are to be successfully created in a short time through optimum combination of small, medium-sized, and large enterprises, advantage will have to be taken of worldwide experience gained in this area in both the capitalist and socialist countries.

For instance, in the United States at the beginning of the eighties small firms (employing less than 100) had a share of 32 percent in the country's total employment and a share of 45 percent in the total volume of sales of goods and services. Their share is especially high in sales in construction, wholesale and retail trade, and services, where it was 69, 69, and 65 percent, respectively. The

share of small firms is substantially lower in the total volume of sales in the mining and manufacturing industry—24 and 12 percent, respectively.

At the same time, the share of small firms in GNP is steadily dropping, which indicates that the process of concentration of production and capital is narrowing their economic capabilities. In 1976, this share was 39 percent, and in 1987 already 30.7 percent. The efficiency of the activity of small firms is very high. They had a higher volume of sales per employee and per dollar of assets than firms employing between 100 and 1,000 persons and also those employing between 1,000 and 10,000 persons, and they fell short only compared to the superlarge firms employing more than 10,000 persons. The total number of small firms was 9.4 million, or more than 90 percent of their total number, and the share of large firms—employing 1,000 persons or more—was only 0.6 percent.

At the outset of the eighties in Japan, while production was highly concentrated, the number of small and medium-sized enterprises was large. From sector to sector of the Japanese economy, the share of small and medium-sized enterprises varies from 87.6 percent in electric power, the gas industry, and water supply to 99.9 percent in public works and housing construction. Japan's large firms have a share of 1.4 percent in the total number of firms, which is more than 6 million. The average number of employees at small and medium-sized enterprises ranges from 2 to 7 persons at small enterprises and from 9 to 53 persons at medium-sized enterprises, depending on the type of activity.

In both the United States and in Japan, small and medium-sized enterprises play the role of a buffer softening the impact of structural shifts in the economy. Small and medium-sized business face the same problems in the United States and Japan. The main ones are that it is more difficult for them to gain access to the external market, they have limited opportunities to use the most up-to-date technologies, it is harder for them to obtain credits, especially long-term credits. Small and medium-sized firms, which have a higher share of borrowed money than large firms do, especially in the form of short-term loans, find themselves under scrutiny from two quarters: by the large firms which are the consumers of their products or the general public and by the banks

which are their creditors. The very presence of small and medium-sized firms on a highly competitive market serves as a fairly good economic indicator—they are the first to go under, and a reduction in their number is an early sign of crisis. On the whole, these firms have a lower ratio of capital to labor and would be unable to function in the economy if there were no government regulation and support for their activity through the tax system. At the same time, their activity helps to smooth out the flow of the process of concentration, to spread out the productive forces geographically, and to retool large-scale production without essential disruptions on the consumer market. Small-and medium-scale production is oriented as a rule toward local raw materials and serves the local population, filling local markets with its products. It is not, of course, a question of small specialized enterprises manufacturing one or two products and using the most up-to-date equipment and technology—such enterprises are a minority among small firms—but that is precisely the strategy most of them are aiming at. As a rule, the technically advanced small-scale and medium-scale industry consists of subsidiaries of the large companies which operate on an independent basis. The customary and predominant place of small and medium-sized business in an economy is the sphere of services, the trade sector, and construction, not industrial, but private.

The need for rapid application of the advances of scientific-technical progress to production has opened up to small and medium-sized firms of the advanced capitalist countries a new sphere of activity—scientific research and development projects of an applied nature. These firms are being created to solve specific problems and are being financed either with money of the founders themselves or borrowed money—credits from commercial banks or state subsidies at no interest which are to be repaid. The products of these firms are oriented not toward the current market, but are aimed at future demand. As a rule, the development projects incorporate no more than one or two products or processes. The development and production of an experimental new product or manufacturing process involve a high commercial risk which serves as a kind of filter for weeding out unpromising projects. These firms are given 1 or 2 years to get going. At the end of that period, a new product or process must be submitted. The efficiency of outlays for R&D is several times higher in such firms than in analogous research centers operating in the structure of large corporations. A majority of firms of this kind, while they have formal independence, develop their activity with direct support from large corporations or banks. In the United States, a vigorous government policy of stimulating the activity of such firms by granting them substantial tax benefits has been conducted since the mid-seventies. When development projects are successful, in the initial stage of the new product's production the government guarantees the securities of such firms for a period up to 2 years on the stock market. This policy is an incentive for large corporations and banks to create such firms and support their

activity when choosing among alternative investment policies. At the beginning of the eighties, about 3,000 firms with this orientation were springing up every year in the United States.

The problem of the effective development of the "small-scale economy" in the context of restructuring of the economic mechanism is also being solved in the socialist countries. This effort is being carried out so as to take into account the experience gained in those countries themselves along with world experience.

For instance, in 1984 the Bulgarian Council of Ministers adopted a decree entitled "On Creation of Conditions for Accelerated Formation of Small and Medium-Sized Enterprises." Its principal purpose was to create small and medium-sized enterprises using imported equipment and licenses in order to turn them into centers for production of technologies for the country's other enterprises. By 1990, 1,500 such enterprises were to be created with an average work force of 40-45 at small enterprises and about 200 persons at medium-sized enterprises.

Sectoral ministries were eliminated in 1986 in order to overcome sectoral monopolism and to develop self-management; they were replaced by a number of bureaus attached to the Council of Ministers; and in less than a year, in August 1987, the latter were in turn replaced by ministries once again, but ministries that unified the sectoral and functional principles. There are incentives for all types of enterprises to merge on a voluntary contractual basis regardless of the line of principal activity in the association. The main economic-organizational structure for management is now the socialist concern, which unifies a number of independent enterprises closely bound to one another by industrial cooperation and forming economic associations. All the structural units are interconnected by cost-accounting (*khozraschetnyy*) relations. An enterprise may on the basis of shares be a part of several economic associations at the same time. The mobility of economic relations, their rapid change as a function of the specific problems to be solved, is to be guaranteed through creation of a new economic-organizational structure of management.

In Hungary, the principal organizational forms of small enterprises are the following: partnerships (economic partnerships among enterprises and within enterprises), cooperatives, leasing as a form of operation of individual sections of enterprises, enterprises in the trade sector and food service industry operating on a leasing basis. The economic partnership is the principal form; as a rule, this form consists of no more than 30 persons and uses the equipment of enterprises after the shift has been worked, and its material costs are reimbursed. It produces products for which there is a high demand, but which are not produced in volume: for example, spare parts for motor vehicles and other sophisticated household equipment which is no longer being produced, but is still in use.

In Romania, the Law on Small-Scale Industry has been in effect since 1980; it calls for the creation of small enterprises under local people's councils oriented toward the production of goods and rendering of services to the public, as well as toward production for export. In 1985, the share of small-scale industry was 22 percent of the total volume of industrial output.

In Poland, the development of small and medium-sized enterprises is aimed at overcoming the shortage of raw materials, supplies, and electric power. The use of secondary energy resources and physical resources—waste from large-scale industry—is becoming widespread. The main lines of development for small-scale and medium-scale industry is the production of chemical fertilizers so as to take into account the agrochemical condition of the consumer's land, small-run production of industrial rubber goods, and custom manufacturing in machinebuilding.

In Yugoslavia, small enterprises are concentrated mainly in the service sector: the servicing and minor repairs of motor vehicles, household appliances, custom tailoring and dressmaking, dry cleaning, and so on. Industrial cooperation of small and medium-sized enterprises with large enterprises is developing in the manufacturing of small-run and custom-made products: metal goods, industrial rubber products, building materials, and so on. Consulting firms have become widespread in various fields: management, economics, sociology, bookkeeping, recordkeeping and reporting, and the creation of automatic control systems. A national consulting center which has a large data bank on the sales markets for products, its producers and consumers located in various parts of the country and abroad, operates on a cost-accounting basis. The center provides consulting on problems in shaping production programs, it furnishes information on the establishment of business ties (with whom and on what terms), it communicates data on prices on the world and domestic markets for various products and also on the conditions for the product's sale and delivery. Small enterprises operating on a cooperative basis obtain the necessary raw materials, supplies, and equipment at wholesale prices, while those operating on a private basis acquire them at retail prices. To be competitive on the domestic and foreign markets, the small cooperative and private enterprises must direct their principal efforts toward reducing the production cost and increasing the quality of the product. The main problem of government authorities regulating the economic conditions for the activity of small cooperative and private enterprises is to create sufficiently effective incentives for the growth of these enterprises in the production sphere, where their share, having become stable, is still small.

The main problems faced by small and medium-sized enterprises in the socialist countries are the insufficient development of wholesale trade in machines and equipment and the consequent great difficulties both with material and technical supply and also with stable product sales. The absence of an organized stock market

and poor information support narrow the basis for development of relations of industrial cooperation among enterprises as socialist producers for the market. There is accordingly a need for a government policy aimed at stimulating industrial cooperation of small and medium-sized enterprises both with one another and with large enterprises, for specialized government entities that would furnish the necessary economic information on preferential terms, would work out foundations for protecting the activity of small firms in economic law, and would serve as their guarantors.

An analysis of the development of the process of concentration in our country and abroad allows us to draw the following conclusion.

Concentration does not come down to the mechanical displacement of small and medium-sized enterprises without taking the specific historical conditions into account. Its principal function is to raise the level of socialization of production, to create appropriate economic-organizational forms for development of the productive forces so as to guarantee complementary development of all types of enterprises both with respect to the level of concentration and also with respect to the forms of property used. At the present time, it can be said that the concentration of production of the old type, which was oriented toward extensive forms of economic activity and sectoral exclusiveness, is giving way to the new type, which is aimed at creating new economic-organizational structures of management and at accommodating enterprises of various types. This transition is showing a tendency to overcome the sectoral nature of management of the concentration of production and to replace it with economic structures capable of stimulating the creation of flexible, high-technology, and diversified complexes which are intersectoral in nature and react rapidly to changing domestic and external demand.

Footnote

1. Urban settlements with a population between 3,000 and 50,000 inhabitants are classified as small, and those with between 50,000 and 250,000 inhabitants are classified as medium-sized.

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Structure of Monopolistic Production Analyzed by Sector

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MATERIALNO-TEKHNICHESKOYE
SNABZHENIYE in Russian No 3, Mar 90 pp 7-19

[Article by B. Bogdanov, candidate of economic sciences: "The Monopolistic Syndrome—3. The Coma of the Economy: Consequences"]

[Text]

Charybdis "Round and Huge"...

In September 1989, USSR Goskomstat conducted the first ever large-scale survey of branches, ministries, and enterprises (associations) in order to determine the levels of concentration of the output of the principal industrial products at the largest enterprises in 1988. Now the government, practitioners in the economy, and researchers have in hand specific and indisputable data. The data are staggering even though the survey did not cover what are called natural monopolists (the railroads, the extractive branches, and so on), defense enterprises, and certain manufacturing branches in the economy.

Output at a given enterprise relative to nationwide output in 1988, expressed as a percentage, was chosen as the systemwide criterion for classifying a production grouping as a monopoly or oligopoly (2-4 enterprises producing one and the same product). The level of a branch's monopolization is judged from the share of the relevant ministry in unionwide production, expressed as a percentage, and this is the second criterion.

But there are several circumstances that must be borne in mind when an assessment is made of the specific indicators of the level of monopolization.

In our country, the second criterion can never be less than 50 percent. This is the method by which USSR Gosplan and USSR Goskomstat assign a particular enterprise to the ministry in question. Finally, both criteria characterize the same horizontal monopoly, but at the level of the enterprise and the level of the ministry. It is obvious that here we have once again "invented" for the rest of the world a new economic concept known in our country by the name of the departmental dictate. We cannot categorize it as a classic type of vertical monopoly (when the producer and consumer are in the same ministry or concern) as a widespread phenomenon, although there are no rules without exceptions. The vertical character is manifested directly in the monopoly of power over the basic production unit and indirectly in the relations of coordination within the ministry and between ministries.

Data on the level of monopolization in the basic unit of the economy—we will refer to it as horizontal monopoly of the first type—can be reduced to a table.¹

Number of Basic Products Which Have More Than 80 Percent of Their Production Concentrated at Between One and Four Enterprises (Within the Range of the Survey)

Branch of Industry (Production Grouping)	Total Number of Products Surveyed	Number Produced at 1, 2, 3, or 4 Enterprises						
		1	2	3	4	1-2	1-3	At 2-3
Power machinebuilding	16	6	5	2	3	11	13	
	100%	38	31	12	19	669	81	
Railroad machinebuilding	10	2	6	2	—	8	10	
	100%	20	60	20	—	80	100	
Materials-handling machinebuilding	13	3	5	2	3	8	10	
	100%	23	38	16	23	61	76	
Petroleum and chemical machinebuilding	10	2	3	4	1	5	9	
	100%	20	30	40	10	50	90	
Construction and road machinebuilding	13	2	7	4	—	9	13	
	100%	15	54	31	—	69	100	
Equipment for the metallurgical and mining industries	13	2	7	2	2	9	11	
	100%	15	54	15	16	69	84	
Forging and pressing and foundry machines	19	9	6	4	—	15	19	
	100%	47	32	21	—	79	100	
Motor vehicle and bearing industry	12	5	1	2	4	6	8	
	100%	42	8	17	33	50	67	
Tractor and agricultural machinebuilding	34	19	10	2	3	29	31	

Number of Basic Products Which Have More Than 80 Percent of Their Production Concentrated at Between One and Four Enterprises (Within the Range of the Survey) (Continued)

	100%	Number Produced at 1, 2, 3, or 4 Enterprises					At 2-3
		56	29	6	9	85	
Machinebuilding for animal husbandry and feed production	27	15	8	4	—	23	27
	100%	55	30	15	—	85	100
Electrical equipment industry	12	1	5	4	2	6	10
	100%	8	42	33	17	50	83
Ferrous metallurgy	34	9	20	3	2	29	32
	100%	26	59	9	6	85	94
Wood chemical complex	15	2	1	7	5	3	10
	100%	13	7	47	33	20	67
Consumer goods (household appliances)	11	5	3	1	2	8	9
	100%	46	27	9	18	73	82
Total	239	82	87	43	27	169	212
	100%	34	37	18	11	71	89

As we see from the table, out of the nearly 240 products of the machinebuilding, metallurgical, and wood-chemical complexes and consumer goods (household appliances) more than 80, or 34 percent, were produced at 1 enterprise in the branch in question, almost 90 at 2, or 37 percent, half as many at 3 as at 2, and barely 10 percent of unionwide output at 4.

In our machinebuilding production, there is actually not even a hint of oligopoly. Current practice in economic activity and supply does not allow the consumer to choose his trading partner freely: the last two columns of the table confirm this. More than 70 percent of the products surveyed are produced at one or two enterprises of the same kind, and almost 90 percent are produced at no more than three. If we take into account the regional aspect of production, supply, wholesale trade, and sales support, we will have practically 100-percent monopoly.

I would like to mention once again in this connection that in American legislation, for example, (for more detail, see MATERIALNO-TEKHNICHESKOYE SNABZHENIYE, No 12, 1989) the limit value of the integrated criterion of monopolization is 75 percent of the market for four enterprises, and the executive branch must in this case begin judicial prosecution of anyone whose actions bring about such a high degree of concentration of production (if we only had their worries), since they are restraining competition and causing stagnation.

Now, about horizontal monopoly of the second type. It is typified by a concentration of production within the limits of one ministry. USSR Goskomstat surveyed about 200 enterprises (associations) of industrial ministries. Between one-fourth and one-third of them have 100-percent control of the market for their product. Of

the almost 300 principal products, machines, and equipment, including household appliances, 123 products (40 percent) are produced entirely at one plant, between 90 and 100 percent of 186 products (60 percent) is produced at one plant, and between 80 and 100 percent of 221 products (74 percent) is produced at one plant.

For the Analyst's Notebook

The figures below pertain to the level of monopolization of those branches of industry where between 75 and 100 percent of the principal products are concentrated in one ministry.

USSR Mintyazhmash. Power machinebuilding: steam boilers—100 percent, heating plant boilers—100 percent, waste-heat recovery boilers—79 percent, steam generators—100 percent, diesels and diesel generators—86 percent, diesel electric power plants mounted on railroad cars—100 percent, power plant piping and high-pressure turbines—100 percent, chemical water treatment equipment for power boilers and boilers of industrial enterprises—100 percent.

Railroad machinebuilding: diesel locomotives—100 percent, narrow-gauge freight and passenger cars—100 percent, long-distance passenger cars—100 percent, wide-gauge dump cars—100 percent, subway cars—100 percent.

Materials-handling machinebuilding: electric overhead cranes—94 percent, metallurgical cranes—100 percent, portal cranes—100 percent, truck cranes—76 percent, railroad cranes—100 percent, stacker cranes—90 percent, tower cranes—79 percent, stationary belt conveyors [original reads "cranes"]—92 percent, overhead load-carrying conveyors—99 percent.

Petroleum and chemical machinebuilding: air-cooling devices—100 percent, rod-type deep-well pipes—100 percent, rods for deep-well pumps—87 percent, roller bits—97 percent, turbodrills—91 percent, piston-type steam pumps—100 percent, vacuum pumps and units—79 percent, compressors—84 percent, heavy-duty refrigeration units—100 percent.

Construction and road machinebuilding: excavators—83 percent, including single-bucket walking excavators—100 percent, self-propelled graders—100 percent, highway construction machines—80 percent, drilling rigs—75 percent, truck-mounted concrete mixers—93 percent, power tools used by construction workers and fitters—85 percent.

Equipment for the metallurgical and mining industries: blast-furnace and steel-making equipment—82 percent, rolling equipment—88 percent, ore-dressing equipment—76 percent, sintering equipment—97 percent, coking equipment—93 percent, hoists used in underground mining—100 percent, winches used in tunneling underground—100 percent, steel rollers or rolling mills—92 percent.

USSR Minstankoprom: forging, pressing, and foundry machines—100 percent, mechanical presses—86 percent, hydraulic presses—79 percent, automatic forging and pressing machines—83 percent, hammers—89 percent, forging machines and rollers—99 percent, machines for manufacturing forms and cores—100 percent, machines for preparing casting materials—99 percent, machines used for cleaning and knocking out castings in foundries—97 percent.

USSR Minavtoselkhozmash. Automotive and bearing industry: trucks—93 percent, automobiles—90 percent, buses—98 percent, truck trailers and semitrailers—82 percent, insulated trucks—100 percent, lift trucks—100 percent, roller bearings—100 percent, trolleybuses—97 percent.

Tractor and agricultural machinebuilding: tractors—85 percent, including crawler tractors—100 percent, grain-harvesting combines—100 percent, row reapers—100 percent, tractor plows—97 percent, spike-type harrows—100 percent, spike-type crumbler-harrow—100 percent, tractor-mounted planters—81 percent, tractor-mounted potato planters—100 percent, soil levelers—100 percent, machines for applying chemical fertilizers and lime—82 percent, units for emptying out and grinding chemical fertilizers—100 percent, machines for applying liquid mixed fertilizers—100 percent, stone pickers—100 percent, tractor-mounted sprayers and dusters—100 percent, corn harvesters—100 percent, beet harvesters—100 percent, potato harvesters—94 percent, potato-grading stations—100 percent, beet loaders—100 percent, cotton pickers—100 percent, flax-harvesting combines—100 percent, grain-cleaning machines—84 percent, machines for cleaning and grading cotton—100 percent, and onion harvesters—100 percent.

Machinebuilding for animal husbandry and feed production: tractor-mounted mowing machines—100 percent, self-propelled mowing and crushing machines—100 percent, balers—100 percent, picker-stackers—100 percent, feed-harvesting combines—78 percent, tank trailers for carrying ground feeds—100 percent, units for preparing grass meal—100 percent, machines for distributing feeds on cattle farms—100 percent, including stationary machines—87 percent, milking machines—100 percent, sets of equipment for prefabricated stalls for dairy cows—84 percent, "Volgar-5" feed grinders—100 percent, "Mayak-6" sets of equipment for feed preparation shops—100 percent, feed distributors for swine—81 percent, automatic watering troughs for swine—86 percent, liquid manure pumps—100 percent, incubators—100 percent, brooders—100 percent, feed crushers—92 percent, heat generators—75 percent, machines for applying organic fertilizers—94 percent.

USSR Minelektrotekhprapor. Electrical equipment industry: generators for steam, gas, and hydraulic turbines—78 percent, synchronous condensers—100 percent, large power machines—90 percent, AC electric motors—93 percent, explosion-proof electric motors—100 percent, crane electric motors—100 percent, low-capacity electric motors—75 percent, DC machines—100 percent, power transformers—100 percent, power converters—97 percent, electric drives for machine tool building—100 percent, cosine power capacitors—100 percent, electric furnaces—100 percent, electric welding equipment—100 percent, storage cells and storage batteries—100 percent, and electric lamps for illumination—100 percent.

USSP Minmetallurgii. Ferrous metallurgy: hollow drill steel—100 percent, sheet tool steel—100 percent, thick-sheet 4-mm steel with special properties—100 percent, fast-cutting steel—100 percent, steel sheet roofing—97 percent, iron plate and tinplate—100 percent, sheet dynamo steel—100 percent, transformer steel—100 percent, wheel rims and rings—89 percent, streetcar rails—100 percent, 6- and 5.5-mm-diameter wire rod in classes A1-Ash—100 percent, heat-strengthened railroad rails—100 percent, strengthened high-grade steel for fittings—100 percent, sheet piling steel—100 percent, polymer-coated sheet steel—100 percent, pipe, not including thin-wall coiled pipe and pipe with protective coatings—100 percent.

USSR Minkhimnefteprom and USSR Minlesprom. Output of the wood-chemical complex: rubber-fabric conveyor belts—100 percent, tires of all types and bicycle tires—100 percent, synthetic aliphatic alcohols—100 percent, higher alcohols for plasticizers—75 percent, butyl and isobutyl alcohols—90 percent, synthetic rubbers—96 percent, rubber footwear—87 percent, polyvinyl chloride plastics—100 percent, man-made fibers and filaments—100 percent, magnetic tape—100 percent, sulfonol—96 percent, polypropylene—92 percent, soda ash—84 percent, dimethylterephthalate—92 percent, calcium carbide—86 percent, resins—78 percent,

commercial cellulose—100 percent, paper—94 percent, matches—97 percent, kits of wooden parts for houses with walls made from local building materials—93 percent, wood railway ties—88 percent, and wood particle-board—87 percent.

Once he has become familiar with these figures, any official in the system of USSR Gossnab will see that, first, these are the principal products which are in short supply, those which give him no peace day or night, since on the whole no one has relieved him of the responsibility for supplying physical resources to the consumers in the economy. Second, the level of satisfaction of the need is inversely proportional to the level of monopolization of the production of the given product, and this is no accident, since the monopolist is able to "bring to their knees," not only the small and medium-size consumers, but even the regional component of USSR Gossnab, who figures simultaneously in two capacities: as a major middleman (consumer) and as the representative of state interests with respect to organizing uninterrupted turnover of physical resources.

In the latter capacity, it is supposed to be an entity that is independent both of the will of the monopolist and also of the desires of central and local party and soviet institutions. For him, the "truth" of satisfying the requirements must be economically more precious than any "Plato" or "Socrates" in our reality. This is more or less the point made by the great rebel and reformer of the human spirit M. Luther about 500 years ago.²

Unfortunately, for many regional components this kind of truth ceased to exist after they were reorganized into the basic cost-accounting (khozraschetnoye) unit of the system of USSR Gossnab, and they have begun to "order monopoly music" for others in an arrangement and played by a conductor alien to the purposes of their operation. The metastases of monopolism have penetrated even here.

According to data of the Summary Department for Monitoring and Regulating Supply of USSR Gossnab, certain gossnabs of the union republics and main regional administrations of USSR Gossnab displayed in 1989 what can mildly be called localism, but in plane fact was out and out monopolism in performing contractual obligations to deliver materials to other regions. For instance, Sverdlovskglavsnab delivered cement to the oblast at a level of 105.7 percent and to other regions at 96 percent. The respective figures were 110.8 and 74 for Orenburgglavsnab, 100 and 75 for Stavropolglavsnab, 102.3 and 66.3 for delivery of linoleum by the AzSSR Gossnab, 100 and 71.4 for Lenglavsnab, and 119 and 51 percent for the delivery of tubs by UzSSR Gossnab.

Here again we must make a small digression. Before the union sales components were eliminated and regional entities consolidated, these manifestations were not so widespread. Their adverse influence was offset to some extent by regulation of deliveries at the state level, by a certain saturation with necessary resources at the end of

every year of the former delivery enterprises of regional components, and also by elements of intrasystem cost-accounting motivation of the branch (product) and regional levels of management in the statewide system of material and technical supply.

The latter's reestablishment on a new basis is a fundamental factor in the survival of the system, in its adaptation to the annually changing conditions of economic activity and the emergence from the state of crisis in which it has found itself through its own fault, since the unprofessional structural and cost-accounting "games" in 1987 and 1988 resulted in a loss of its main virtues so essential to formation of the market for machines and equipment—the integral nature of the system and the economic capability of opposing the monopoly interests and ambitions of producers.

From an economic standpoint, the regional-sectoral integrity of USSR Gossnab as a system broke down at the moment when the cost-accounting sectoral unit with the market tasks of a commodity exchange and economic reliability was transformed into a resource-supplying departmental complex with administrative-party accountability that is monopolistic in its spirit and operation. Responsibility that is opposite in its nature and also the two-tier structure of the sphere of production, senselessly carried over to the specific functions of the sphere of distribution, have initiated a deepening of the crisis of "up" and "down" relations and development of a purely gossnab variety of departmental-sectoral monopolism that is not understood by anyone except specialists of material and technical supply. Whereas in any other sector production monopolism dictates its conditions on the external environment, here they are dictated to colleagues in performing one and the same tasks, and there are no economic dividends here whatsoever. The ways of the Lord are truly inscrutable! This is one for the Guinness Book of World Records.

Suffering in the literal and figurative sense of the word from the advisory-compulsory character of relations with resource-supplying complexes, regional components will have an effect in relations with consumers. Since these relations are economic, or at least they are supposed to be, the satisfaction is economic in character as a rule, just as it is for any other "normal" monopolist, but still more for this kind of monopolist, who disposes of (but does not possess or use) a sizable portion of the most convertible currency today—physical resources in the context of an economy that is a scarcity economy across the board. We can only guess at the scale of their monopoly profit, which is essentially inflationary profit, within the cost-accounting income, but on the other hand we are firmly convinced of something else. At the level of regional components the development of the monopolist syndrome is very much promoted not only by the merging of their economic interests with the interests of local government agencies on the threshold of so-called regional cost accounting, but to a more substantial degree by their transformation into the principal economic unit of USSR Gossnab with full cost

accounting, self-financing, and self-support. The "operating" link in the system has for all practical purposes been deprived of economic independence. We cannot pass off the mystique for reality, confuse the juridical and economic status of the enterprise (opttorg), since having an address and the things that go with it, a stamp, and a current account in the bank does not make it economically independent, when it disposes of the results of its labor by its own authority and in its own interest. This question, which is fundamental in cost accounting and economic independence, has indeed not been solved so far even in the sphere of production. Yet it has to be solved, solved with the further purpose of developing competition in the sphere of the distribution of commodities on the market for machines and equipment. Otherwise, even the remnants of the system which is supposed to be one of the natural regulators of the federal market, not merely its commodity forwarding network, will also disintegrate. And the monopolistic ambitions of certain regional components toward their own commercial centers which have "cosmopolitan outlooks," which occurred in USSR Gossnab in the fall of 1989, will seem to us like child's play.

Scylla "Barking From 100 Mouths"

In analyzing the problem of the monopolistic syndrome and especially the sources of its destructive consequences, we need to take into account the utterly unique structure of social production, which is no longer encountered anywhere in the world unless a state is waging war. This is not of merely considerable importance, it is fundamental. Namely, what is the relation between Department I (production of machines and equipment) and Department II (production of consumer goods) of the economy? In an economy whose purpose is to meet man's needs, the ratio is 20-30:70-80 percent. In our country, it is 80:20 percent; according to certain estimates, as high as 85:15 percent. The ratio between Group A and Group B is 74:26. Consequently, production of consumer goods in Department I is minimal in spite of conversion and earlier decrees compelling enterprises in heavy industry to produce consumer goods. And if in fact they do produce them, they do so very much in their own way.

For instance, take the PO "Podolskshvemash" of USSR Minoboronprom, the country's only sewing machine manufacturer. It is in that same ministry that 92 percent of the cameras are produced, USSR Minelektrotekh-pribor has "allocated" one plant each for the production of air conditioners (Baku) and household air cleaners (the PO "Transformator"). USSR Minkhimprom has similarly monopolized the production of photographic and cinematographic film and paper for color photography. USSR Minavtoprom has concentrated within itself the production of automatic washing machines (98 percent), electric irons—96, engine blocks and power cultivators—81 percent. At first, we seem to have the production of household refrigerators and television sets for a sixth of the globe, plus exports. But the largest groups of these products are manufactured at a limited

number of enterprises. More than 80 percent of the more or less up-to-date refrigerators are produced by four enterprises (Krasnoyarsk, Yuryuzan, Murom, and the PO "Atlant") and freezers by three (Kishinev, Krasnoyarsk, and the PO "Atlant"). Three-fourths of the portable television sets are manufactured by four enterprises and more than 70 percent of all the color television sets are produced within USSR Minradioprom. Is that perhaps why they work so well, and the refrigerators by and large are destroying the ozone layer and polluting the environment? And how much is that costing the consumer!

On the whole, the monopolistically hypertrophied structure of social production is not only mystifying the market, it is also distorting social consciousness, the civility of social relations, and the criteria by which every member of society judges values. In the kingdom of distorted mirrors, everything is perceived to be normal, even if it is functioning, to use V. Selyunin's phrase, on the "Samoyed" basis of production for the sake of production, not on the basis of normal satisfaction of man's needs. These are the realities of today's world, not the black-and-white vision of our economy in which only the rise of prices and the growth of shortages are stable.

To stress that a man is gluttonous, we say that he eats as though he had three mouths. Monopoly is devouring our prosperity with 100 mouths, unaware of what it is doing.

Let us dwell on just two aspects—prices and shortages. No one is any longer surprised that prices are rising, the news media are rife with articles on the rise of prices of produce and consumer goods. The worried USSR Supreme Soviet is adopting proposals of the government on rigid price controls for products of enterprises in Department II. Even now it is obvious that stern measures will not come to anything, since this is a case of treating the symptoms instead of the cause. And the symptoms lie in store shelves and in light industry and the food industry, although it appears that they were produced in Department I, where they do not play around.

One does not need to be a great economist to shed light on some rather simple things. First, everything in the economy is interconnected. Second, one of the causes of the rise of prices in Department II "lies" in Department I, which has all the while been in the shadow (which is not to mention the military-industrial complex).

Let us assume that at a ratio of 80:20, other things being equal, all the machines and equipment produced in Department I are consumed in Department II, for example, in the branch processing agricultural raw materials into a product ready for consumption.

How much must prices rise in Department II if they have risen by 100 rubles in Department I? Right, by 400 rubles, plus "something to live on," plus the interests of the state. So what happens in this case to the state subsidy for production of consumer goods? It does not in any case go to the processing industry, but to a larger

monopolist. And whose money is this? It belongs to each of us. It is only mismanagement that saves us, when almost three-fourths of the output of Department I are consumed right there, but these are not the most expensive products, especially if this production of machines and equipment to produce machines and equipment is a kind of elite self-reproducing segment of industry with an elite working class and fixed capital. As a rule, that is a fair description of the machinebuilding ministries. In the contemporary world, machinebuilding plays a key role in speeding up scientific-technical progress and in solving the basic problems of any country's economic development.

According to data of the Summary Department of the Machinebuilding Complex of USSR Gosnab, in 1988 the volume of deliveries (under contract) of machines and equipment by machinebuilding ministries amounted to about 95 billion rubles, which was an increase of 5.2 billion rubles over 1987, an increase of 5.7 percent, and an increase of 8.3 billion rubles over 1986, an increase of 9.8 percent.

At the same time, for the principal machines and equipment that characterize the operation of the branches, the volume of output in physical terms experienced practically no increase over the period 1986-1988, and for many of them it dropped off substantially.³ The volume of output of freight cars dropped off 17 percent, overhead traveling cranes 6.5 percent, large electrical machines 16 percent, metal-cutting machine tools 20.6 percent, forging and pressing machines 15.5 percent, scrapers 31.6 percent, and self-propelled graders 18.4 percent. The list of examples could be extended. There is something else that is important to note here: the volume of production in value terms increased for all machinebuilding ministries and for all products. The point is that machinebuilding ministries and their enterprises are motivated above all to meet the total volume of production regardless of the specific needs of the economy, even those which are most important.

The gross value indicators are achieved without increasing the production of the principal machines and equipment (in terms of physical units) by virtue of the following main factors.

For the Analyst's Notebook

An outright price rise occurs, for instance, when a product is replaced by new designs that do not involve a fundamental change in their performance characteristics.

The wholesale price of the average metal-cutting machine tool rose 2.8-fold from the 10th to the 12th FYP's, including a rise of almost sevenfold on the most common machines and equipment, while there was a negligible improvement of their productivity. For example, in the 11th FYP, the cost of the Model 16K20 screw-cutting lathe was 5,330 rubles. Beginning in 1986, the price of its modifications (the 16D25 and 16D20) was 7,000 rubles, and that of the modification 16K20T1

(with pushbutton setup) was 38,000 rubles, yet productivity increased only 1.3-fold. The total output of lathes in this class dropped from 4,000 to 2,500 and was offset by the rise of prices. Whereas in 1983 USSR Minavtoselkhozmash⁴ raised the price of the ZIL-130 5-ton truck from 3,500 to 5,000 rubles, while increasing the running life of the truck from 300,000 to 350,000 km and that of the engine from 200,000 to 300,000 km, fitting it out with a hypoid rear axle, Westinghouse brake system, and an up-to-date light system, in 1988 this truck began to be replaced by the gradually increasing output of the "new" ZIL-4331 truck, whose price was three times as high, but had a diesel engine. The truck's running life increased only from 350,000 to 400,000 km, and the power of the engine from 150 to 180 HP, and the reduction of fuel consumption from 210 to 160 g/HP also was not in line with the price increase. At the same time, the truck's principal characteristic from the consumer's viewpoint—its load capacity—has increased only 20 percent (to 6 tons) over the original level.

Prices rise indirectly through changes in the structure of production in the direction of more expensive products.

For example, in 1986 the volume of production of machine tools in USSR Minstankoprom increased by 764.2 million rubles (42.9 percent) over 1982 in value terms, while the number of machine tools produced dropped by 57,600 (35.8 percent). The average cost of a machine tool increased 2.2-fold over that period (from 11,100 to 24,600 rubles). At the same time, ordinary metal-cutting machine tools (not including machine tools with numeric programmed control, special machine tools, and integrated machine tools) became almost 1.5-fold more expensive (the increase was from 7,000 to 10,000 rubles).

At the same time, consumption of rolled products of ferrous metals increased between 1985 and 1988 almost 20 percent for the production of machine tools, and the increase was 70 percent in the production of one machine tool. The average weight of a metal-cutting machine tool is 3.2 tons, as against 1.2 tons in the United States. Heavy models constitute about 80 percent of the production of metal-cutting machine tools, which distorts not only the market for them, but also the pattern of materials consumption in the economy.

It has to be noted that for certain of the machine types produced in the largest numbers this trend is long-term in nature. For instance, the rise in the cost of machines over the period 1976-1988 substantially surpassed the growth of their output: the respective figures were 198 and 56 percent for metal-cutting machine tools, 69 and 89 for forging and pressing equipment, 124 and 114 for trucks, and 168 and 103 percent for tractors.

The financial prosperity of the machinebuilding complex is also being maintained by various deductions. The enterprises bring money into their accounts by filling orders for outside customers. Supplements are in effect for quality, export, efficiency, services, repair, for

beating delivery deadlines, for scientific-technical projects over and above the plan, and so on. In 1988, these sources brought enterprises in the machinebuilding complex 3 billion rubles, which was added to the volume of product deliveries under contract.

What is more, the machinebuilding ministry increased the volume of market output by developing cooperation within the ministry and by using expensive components and materials produced by other ministries and departments (electronic components, base models: automobiles and trucks, tractors, and so on) and other components that are double counted in the gross product.

As a consequence of this tactic used by machinebuilding ministries to increase their prosperity, the "physical" coverage of the needs of the economy for the most important machines and equipment has deteriorated very rapidly, and this in turn has been holding back development of the market for machines and equipment and is discrediting the program for developing wholesale trade in the products of machinebuilding.

In 1988, results were particularly unsatisfactory in meeting the needs of the economy for the following products of machinebuilding: diesel engines and diesel generators at a level of 60 percent, rolling equipment at a level of 81, chemical equipment and polymer equipment 53 and 21, respectively, metal-cutting machine tools 74, including lathes 67, and trucks about 80 percent.

The results of the contracts concluded for 1990 have shown that a sizable number of enterprises in practically all machinebuilding ministries have made the general situation still more acute.

The monopolist dictates his conditions in other aspects than price alone. That is what lies on the surface. There is something else hidden from the eyes that is more important and destructive. He shapes the structure of consumption of his product in a manner convenient and profitable to himself thereby clearing the sales market for himself and consequently guaranteeing profits over the medium term and long range. It is of little interest to him that this market for his commodity is deformed and the profit is inflationary in nature. On the contrary, as he travels along the entire "production—consumption" chain and in each successive period he receives a large amount of profit for a smaller supply of commodities, in this environment of a rigidly structured economy the monopolist is "whipping up" the inflationary spiral and subordinating the market for his product to his aspirations to an ever greater degree.

It is our misfortune and tragedy that all participants in this chain like this situation; everyone has a stake in it, since the consumer of machines and equipment always turns around and becomes a supplier of other goods and services. The circulation of the monopolized commodity is completed with the end consumer who pays for everything. The deformed market for goods and services automatically deforms the market for investment and

capital (money), including foreign trade as well as the manpower market and the sphere of its employment.

No one denies the fact that domestic machinebuilding possesses a very large potential; we just have to learn to put it to good economic use.

For the Analyst's Notebook

According to the last census, by the end of 1983 the stock of metal-working equipment (MOO)—metal-cutting machine tools and forging and pressing machines—in the country amounted to 6.25 million units, of which about 3.65 million units were in machinebuilding and metal manufacturing of the USSR. Of that, some 30 percent, or more than 1 million, were not in the principal production operation, but in repair shops and tool shops.

What is more, an immense stock of MOO—approximately 2.6 million units, or 41.6 percent—are in our country outside machinebuilding and metal manufacturing—in the machine shops and production operations of nonmachinebuilding enterprises, that is, in the efforts of other ministries and departments to be self-sufficient. But this is almost 20 percent more than all of machinebuilding and metal manufacturing in the United States (2.193 million units). Incidentally, the United States also has its own tendency toward self-sufficiency, represented by 454,000 units of MOO, or 17 percent in all.

In the self-sufficient operation, the stock of MOO is mainly used to repair "one's own" equipment, to manufacture spare parts for it, and the load on it amounts to between 0.3 and 0.5 shift, whereas in machinebuilding plants the load is about 1.3-1.4 shifts.

Thus, in our country only 2.6 million units (6.25 million - (2.6 million + 1.05 million)) of MOO, or barely more than 40 percent of the entire stock (it is a coincidence that the figure 2.6 million occurs twice) operate in "pure" form to produce new equipment and to reproduce metal-working equipment.

We have had an unspoken pride in the volumes, but actually since the beginning of the seventies we have been losing all the while in our preoccupation with expanded extensive reproduction of the existing structure of machinebuilding production, whereas precisely over that period of time the United States was intensifying machinebuilding by increasing its specialization on the multiple foundation of competition among production groupings specialized all the way to the component level. Those very years, it seems, marked the beginning of our lag behind the rest of the world. At the same time, they represented yet another explosion of monopolism (creation of the VPO's). Thus, between 1972 and 1983 the park of MOO in machinebuilding and metal manufacturing in the USSR increased by 1.06 million units, or 1.4-fold. In the United States, the stock of MOO experienced an absolute decrease of 873,000 units between 1973 and 1983, a drop of 28.5 percent, while at the same

time the output of machinebuilding increased 12.8 percent, and the output per unit of MOO increased 1.57-fold. It is thought by specialists that this cannot be achieved by engineering solutions alone.

According to data of the Economics Institute of the USSR Academy of Sciences, the ratio between the USSR and the United States in the volume of output of machinebuilding and metal manufacturing is 75:100, while that of the national income is 67:100.

A comparative analysis of the volume of output and the stock of MOO in machinebuilding and metal manufacturing of the USSR and the United States shows that to obtain the volume of output of machinebuilding in the USSR, other conditions being equal, the United States needed a stock of 1.645 million units of MOO (2.193 million x 0.75); that is, our stock is 2.2-fold larger for the same volume of output.

If we compare the ratio of the entire stock of MOO in the USSR and the United States (6,250:2,647) with the ratio for the national income created in machinebuilding (67:100), then the gap will be still more sizable—almost 3.5-fold (2.36:0.67).

It is obvious that this is another gap that cannot at all be explained by even the best engineering solutions and differences in the technical level of metal-working equipment. It is the monopolized structure and organization of machinebuilding production that are now determining to a considerable degree the low qualitative characteristic and the technical and technical-and-economic level of the equipment produced.

Specialists will undoubtedly point out many other causes of the lag of our machinebuilding. They would include the lack of balance, the low level of quality of materials, the low capital investments, and so on.

But the main thing, it is evident, lies in the fact that while there was a slow renewal of the active part of fixed productive capital (a rate 2.6-fold lower than in the United States) in machinebuilding, USSR Gosplan organized a race and planned for it rates of development that would be faster than average for a long period of time, while USSR Gossnab guaranteed the sale of its products, thereby widening the gap between the interests of the producer and consumer of the equipment. Production and deliveries of steel are determined by the convenience of production and the producer, not by the demands and needs of the consumer.

It is this divorce of the machinebuilder from the consumer of his product that turns the latter into a pale copy of a producer, gives him an incentive to create and develop self-sufficiency and a further deformation of the structure of the stock of MOO and of machinebuilding as a whole. Self-sufficiency is by no means a harmless thing, since horizontal monopoly is transferred here into a vertical closed-end monopoly, which reinforces its positions still more, while the losses for society are colossal.

Self-sufficiency in making production equipment has even affected machinebuilding.

According to the estimates of V. Popov and N. Shmelev ("Plan i ekonomika" [The Plan and the Economy], Moscow, Znaniye, 1988, p 9), out of every 100 enterprises in the entire machinebuilding industry 71 produce iron castings for their own purposes, 27 steel castings, 84 forgings, 76 stampings, and 65 metal fastenings. The production cost of these articles is 2-3-fold higher, but still they are one's own product. Perhaps these production operations are primitive, but they are one's own, just like one's own repair shops, tool shops, construction crews, container shops, and other shops and subdivisions. Who is interested that the production of tools in this way occupies 500,000 persons, and the repair of equipment employs more people (about 8 million) than the manufacturing of equipment, that the costs of technical servicing and repair exceed the original cost of machine tools 8-10-fold and that the least expensive becomes the most expensive in the world?

In general, the causes and consequences of this kind of metamorphosis deserve the most fixed attention and separate analysis, but this lies outside the scope of the topic under consideration. Here, we need to note something else—we know neither the real demand, nor the need, nor the production cost. All of these terms are distorted by the monopolistic structure of social production and distribution.

If the producer agrees to meet the needs of his customer for a first-class machine tool only by imposing upon him another two or three fifth-class machine tools, which the latter must buy and install in his production space until the depreciation period fully expires, without using them to produce a single unit of output, then how much in the end will be the cost of his principal product produced on the first-class machine tool? Can that be why we annually produce 4.5-fold more machine tools than the United States and sixfold more tractors, turning the fields into virtual warehouses for agricultural equipment? And is this not the last link in the chain of production of means of production for the sake of (but not for!) the production of means of production? Compared to the United States, we mine sevenfold more iron ore and produce twice as much metal just in order to impose on those same machinebuilders between 0.1 and 0.4 unit of second- and third-grade metal (or an assortment that has not been ordered) per unit of the need for good-quality metal in the case of a large (strong) consumer while the weak one must "cover" 100 percent of his need with this kind of product.

Monopolism not only distorts the structure of the domestic market and corrupts the work collectives of enterprises, it also dictates its conditions on society as a whole, forcing it to incur additional costs of maintaining the continuity of the process of reproduction through a structure of external economic relations it has imposed.

As we trace the consequences of monopolism in machinebuilding production, here is another question we cannot but dwell on. In 1986, the share of imports of machines, equipment, and transportation equipment in the total volume of purchases was 40.7 percent, and they traditionally have been the largest item of Soviet imports. Purchases of machines, equipment, and transportation equipment have been growing at extremely high rates. For instance, between 1950 and 1985 they rose from 295 million to 25,784,300,000 rubles, or 87.4-fold, including a 100-fold growth of purchases of equipment for the chemical and food industries, trucks, buses, and garage equipment, while the total growth in the volume of imports was 53-fold. In just the years of the 11th FYP, these imports reached 108 billion rubles (35.5 percent of total imports) and were almost 13 billion rubles greater than in the two previous FYP's taken together (1971-1980).

The power of the machinebuilding "lobby" in the country must be great indeed when traditionally, since the time of Peter, it has been able to astound the entire rest of the world with its engineering thought and innovations, and has been able to bring us to the status of a third-rate state from the technical and technological standpoints. Foreign economic relations in machinebuilding, once a powerful factor for economic development on the basis of the international division of labor, have in the context of monopolistic deformation of the market and the monopolistic mindset become a factor for plundering raw materials and natural resources, which are not really so abundant.

To provide evidence in support of this proposition, we will examine briefly the dynamic pattern of exports of machinebuilding products.

Quite recently, even in the sixties, exports of machines, equipment, and transportation equipment occupied as a rule first place and in value terms represented more than 20 percent of all the goods exported from the country. Between 1955 and 1986, they increased from 199 million to 10,239 billion rubles, or 53.6-fold.⁵ One might go on to write an entire ode glorifying the machinebuilding complex, but the figures given are quite sufficient for another conclusion.

The deficit in the trade balance in the products of machinebuilding has in recent years been 10-15 billion rubles a year (in 1986, it was 25.8 - 10.2 = 15.6 billion rubles), while at the same time we were spending on grain between 2 billion and 5 billion rubles in the most difficult years. Taking into account that only 1.2-1.5 percent of all the products of machinebuilding are competitive on the hard-currency market, we can begin to understand where the big chunk of almost 170 billion so-called petrodollars "went to."

Building up year after year, these deformations resulted in a globalization of shortages, which have put our economy, as L. Abalkin defined it early on, on the

dangerous edge of ruin that signified "social disaster, the loss of everything that had been built with the labor of several generations."

One of the indicators of the outdated disease of the economy is scarcity. We have become accustomed to live in an extreme state of constant shortages: of charity, of human relations, of children's leggings, of good clothing and food, of housing, of inexpensive soap and laundry powders, of motor vehicles, and so on. Anyone could continue the list. These shortages can be summarized in a single provisional name—scarcity at the everyday level. But it only indicates the unsatisfactory state of management of the economy, it does not determine it.

The state of the economy is determined by other shortages, which people have begun to speak and write about quite recently and which affect all of us together and everyone in particular.

We will try to reveal their structure, proportions, and certain ways of restoring the economy to health in the next installment of "The Monopolistic Syndrome," which is entitled "4. The Road to Catharsis."

Footnotes

1. Here and below the calculations are those of the author.
2. "Plato is my friend, Socrates is my friend, but the truth has to come first." (M. Luther, "On the Enslaved Will," published 1525).
3. Analysis done jointly with V. Vozhagov and A. Sedelnikov.
4. The former USSR Minavtoprom.

5. The figures given on exports and imports of the machinebuilding complex were taken from "Ekonomika i vnesheekonomicheskiye svyazi SSSR" [The Economy and Foreign Economic Relations of the USSR], edited by I. Ustinov (Moscow, 1989. Mezhdunarodnyye otnosheniya, pp 123-126 and 143-146).

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REGIONAL DEVELOPMENT

Aspects of Territorial Self-Management, Self-Financing Examined

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in Russian No 3, Mar 90 pp 46-56

[Article by G. Plkhov, economist: "Self-Management and Self-Financing of Krai, Oblasts and Republics (Analysis of Preparations)"]

[Text] It is universally recognized that the existing system of economic, production and organizational relationships in the country, the basis of which is the branch

principle of their formation, the centralization and redistribution through a system of departments of the overwhelming portion of material and financial resources, and the organized transfer of labor resources throughout the territory of the country, has begun to hinder the development of the country's productive forces. An active search for other forms for these relations is underway. The commencement of this work is associated with the conversion of the enterprises and organizations of material production and the basic portion of the nonproductive sphere to new methods of management, which appreciably expands their rights and independence in decision making. Positive experience has been gained in this matter but for the present many unresolved problems remain.

The question of combining the khozraschet [cost accounting] interests of the labor collectives of enterprises and organizations with the interests of the entire population in the territory where they operate, of establishing new economic and organizational relations within a territorial economic complex between the administrative organs of the executive committees of the local soviets (oblast, kray, republic) and the enterprises and organizations, as well as between complexes, republics and the state as a whole, has been put on the agenda.

The initial principles for the formation of such a system were formulated in the decisions of the 27th Party Congress, the June (1987) Plenum of the CPSU Central Committee and the 19th All-Union Conference of the CPSU. The following was contemplated: the substantial decentralization of the management of the enterprises and organizations of a number of branches of production and of non-production activity; the transfer to the jurisdiction of the republics and local soviets of enterprises and organizations whose production and services are linked with the satisfaction of the population's needs; and precise definition of the relationship of the executive power of the soviets with the labor collectives of enterprises, kolkhozes, sovkhozes and other organizations.

The most important measures also include the development of a qualitatively new mechanism for the formation of republic and local budgets, an elevation of their role in the resolution of problems of the socio-economic development of the territories, the allotting of stable sources of revenue to the soviets, including receipts from all enterprises situated in the territory, and the involvement of the monetary assets of the enterprises and the population for social and cultural and community facilities construction and the improvement of people's living conditions.

Conditions need to be created for the republics, krays and oblasts to be interested in improving the end results of economic activity in the territory and in increasing the production of goods and the rendering of services to meet the needs of a region's population. The matter should be presented so that the workers would well know how much the republic or oblast produces, what is its contribution to the country's economy and how much it

receives. The legal problems of the development of direct ties between union republics, krays, oblasts and other national-territorial formations need to be worked out.

The decision has been made to experimentally work out the new management mechanism on the basis of Belorussia, Latvia, Lithuania, Estonia, the city of Moscow, the Tatar ASSR, and Sverdlovsk, Kemerovo and a number of other oblasts of the RSFSR now in 1990.

On Delimiting the Jurisdiction of the USSR and of the Union Republics in Economic and Managerial Activity

One of the most complex problems, which provokes heated discussions, is the transferring of enterprises from union or republic subordination to the authority of union and autonomous republics, krays, oblasts and national-territorial formations.

Several approaches to its solution have been proposed. The Latvian SSR, Lithuanian SSR and Estonian SSR consider it necessary to concentrate the management of all forms of activity and production in the republic.

It has been decided to transfer a portion of the enterprises, organizations and institutions under the jurisdiction of USSR ministries and departments to the authority of these republics. Transfer of the other portion is to be accomplished on the basis of long-term agreements stipulating mutual obligations with respect to product deliveries, the development of cooperation and other problems. The process of transferring to the jurisdiction of the republics of enterprises, organizations and institutions in these republics which do not have all-union designation will be continued.

In order to expand their managerial independence, the Belorussian SSR, Tatar ASSR and Sverdlovsk, Kemerovo, Tomsk and other RSFSR oblasts propose to concentrate in their jurisdiction the production of consumer goods, the rendering of services to the population, development of the material base of the social sphere and of the production infrastructure of local significance, capital construction, agriculture and forestry, nature preservation and other types of activity directly related to meeting the needs of the people living in the territory in question.

At the same time, solution of the question of the transfer of the enterprises, organizations and institutions performing these activities to local subordination is not uniform. Thus, in the Belorussian SSR the range of enterprises and organizations which should be transferred from the subordination of union administrative bodies to republic subordination was determined already by the beginning of the experiment. In addition, the Belorussian SSR Council of Ministers has been granted the right to submit proposals to the permanent bodies of the USSR Council of Ministers concerning the further transfer to the jurisdiction of the appropriate republic

administrative bodies of other enterprises, associations, organizations and institutions working mainly for the needs of the republic.

The Tatar ASSR Council of Ministers and the Sverdlovsk and Chelyabinsk oblast soviets of people's deputies now can themselves, together with the ministries and departments, decide which enterprises, associations, organizations and institutions that engage in providing social services to the population and that create conditions for the functioning of a system of local self-management and of the production and social infrastructure are to become part of the local economy with the assent of the labor collectives.

It appears that one of the fundamental problems of self-management is the delimitation of the jurisdiction of the USSR and the union republics, as well as of the union republics and the national-territorial and administrative-territorial formations in the area of the economy and economic activity. Without a clear idea about what types of activity, in what volume and by what enterprises, organizations and institutions performing these activities one intends to self-manage in a territory, it will be impossible to solve the problem of self-financing and its sources. Prolonging the process of enterprise transfer for an indefinite period will impede the working-out of all the other elements of the new management mechanism in a territory. The limits of the responsibility of local soviets for the integrated economic and social development of a territory will remain blurred.

At the same time, it would be premature to directly pose questions of the obligatory transfer of enterprises and organizations of all branches of production to the subordination of the republics, krays and oblasts. The system of a given USSR ministry and department is primarily the system of scientific and design-technological preparation of production, organization of design work, material-technical supply and product sales, training and retraining of personnel and improvement of the skills of supervisory personnel which has developed. Moreover, the geography of the distribution of the enterprises and organizations servicing the enterprises with respect to these types of activity far from coincides with the administrative-territorial division of the USSR. This concerns primarily the specialized enterprises of machine-building, metallurgy, the chemical, petrochemical and other branches of heavy industry.

Evidently, it is necessary to strive for the radical reconstruction of existing and the development of new structures in a territory which would assist enterprises and organizations in organizing the expanded reproduction of output on a higher technical level, in organizing the production and sale of output and in establishing beneficial foreign economic ties, would simplify questions of material-technical supply and credit, and help in the sale of surplus commodity stocks, in bringing the number of personnel up to full strength and in training and retaining them. The greatest return from the economic

potential created and its further growth on the basis of the utilization of scientific and technical achievements can be secured by judiciously combining the economic independence of the republics with the integration of their economy into a unified complex and combining centralist and democratic principles in their management, linking the powers of each level up with the actual possibilities of influencing economic activity.

The process of dividing economic powers among union (departmental) and territorial (republic, kray and oblast) managerial bodies is proceeding painfully not by any kind of malicious intent. It is one of the serious contradictions of the improvement of the new management mechanism which has a profound economic underlying cause. For example, a proper solution of the problem of improving the management of intersectorial production units on the basis of a departmental approach has not been achieved. Intra-departmental interregional cooperation has received unwarranted development to the detriment of intrasectorial interdepartmental relations. Return, repeated, excessively long and other irrational hauls are increasing as a result and the average distance of the shipping of the majority of mass cargoes, semi-finished products and components is growing. The cost to the national economy from this is great.

The attempt to optimize the territorial organization of production in order to increase its efficiency will objectively require changes in existing inter-territorial and interdepartmental ties. Therefore, it is no accident that the decrees of the USSR and RSFSR councils of ministers on immediate measures with respect to the conversion of the Belorussian SSR, Tatar ASSR and Chelyabinsk Oblast as of 1990 to new management conditions based on self-management and self-financing contain an instruction that preservation of existing economic ties for cooperative deliveries of output and goods by the enterprises, associations, organizations and institutions being transferred to the jurisdiction of the republics be ensured.

It appears that retention of inefficient cooperative deliveries on the strength of administrative decisions will not succeed under the new management conditions. It is likely that with the conversion to self-management the re-specialization of enterprises whose activity does not meet regional interests will take place on a broad scale, which can distort existing economic ties with respect to cooperation and introduce confusion into the development of the national economy.

Planning organs and material-technical supply organizations need to get ready for the systematic alteration of inefficient ties with respect to cooperation and organization and to restructure them with minimal losses. Especially as the indicated decrees recommend the more extensive use in the practice of territorial management of mutually beneficial contract relations for product deliveries and the carrying out of work and services.

In future, there should be a careful analysis in the localities of the production and consumption of output and services of intersectorial application broken down by union and autonomous republics, krays and oblasts. The following should also become their responsibility: compilation of territorial balances of the production and consumption of a given product, their optimization, the technical retooling and reconstruction of existing production units, the development of existing and creation of new base enterprises and shops for the production of products and services of intersectorial application which would meet the needs of the enterprises located in a given territory.

On Improving Territorial Planning

The strengthening economic isolation of enterprises and organizations engenders contradictions between the khozraschet interests of the labor collectives and population of a given territory and the interests of society as a whole. The consolidation and liquidation of a number of ministries, the strengthening of the independence of enterprises and organizations in questions of expanded reproduction and the utilization for this purpose of financial resources earned by the labor collectives, the broad decentralization of their management, the need to search for new partners for the production and sale of output, etc., objectively contribute to the creation of such a situation.

These contradictions are clothed in a shell of concepts of the "selfish, narrow-group" interests of the labor collectives. The new production relations are not now part of the existing system of the interrelationships of the enterprises with the executive committees of the local soviets of people's deputies.

The need for an appreciable alteration and, perhaps, also the expansion of the content-rich portion of territorial plans objectively arises since responsibility for the integrated economic and social development of a territory is being placed on the local soviets.

In connection with the experimental transition of a number of republics, krays and oblasts to new management conditions based on self-management and self-financing, the powers of republic and local administrative bodies in the field of planning are being expanded in addition.

The content of territorial plans is being revised; the number of indicators which are to be approved for the republics, krays and oblasts as part of the State Plan for the economic and social development of the USSR and RSFSR is being drastically reduced. A state order will not be established for the volume of retail trade turnover, the sale of paid services and the commissioning of projects in the social and cultural sphere and the municipal economy, housing and nature preservation projects, except for those of national importance.

All this presupposes an appreciable alteration of the procedure for the organization and movement of information from the bottom upwards and vice versa in the process of preparing draft plans, their examination and approval, the delimitation of rights and responsibilities in the interrelations of planning organs at all levels with enterprises, ministries and departments, and the precise definition of the deadlines for the submission of the draft plans of enterprises to local planning organs; also the establishment of a procedure for the examination and preparation of comments on draft plans and their consideration in the ministries, as well as for making changes in territorial plans.

Analysis of the specific proposals of local soviets of people's deputies on the conversion of oblasts, krays, autonomous and union republics to the new management conditions indicates that a number of the provisions of these documents can be placed in the category of administrative acts. Thus, there is a proposal to permit local soviets to include in the production program of enterprises located in the oblasts, as a territorial order, targets for the volume of output produced, services rendered, scientific-research and experimental-design work performed corresponding to the enterprise's (association's) specialization, regardless of their departmental subordination. If the enterprises and associations refuse to accept such an order, the local soviets are to be permitted to apply appropriate economic sanctions.

Evidently, one needs to systematically free oneself from attempts at administrative pressure on the enterprises and to convert to the extensive utilization in the practice of territorial management of contract relationships for deliveries of output and the performance of work and services, established in the form of mutually advantageous agreements.

In the new management conditions, it is necessary in addition to think out problems of the management of capital construction, especially of the development of projects of the material base of the social sphere, the construction industry and the building materials industry, the production infrastructure and nature preservation projects of city-wide importance. At present, only timid steps to expand the rights of the republics and oblasts have been taken. They have been given the right to independently determine the directions of the use of capital investments financed from the local budget and to approve title lists for planning and surveying work and newly initiated construction projects being carried out at the expense of local budget funds and non-budget funds regardless of their estimated cost.

However, these rights can fail to be implemented, since local soviets can include the construction of social purpose projects in the program of the operations of contract construction organizations (except for organizations of all-union subordination) only if free capacities are available after the placing of a state order. It seems advisable to grant local soviets the right to organize the contract work plan of local construction-installation

organizations, to develop single client services for this purpose and, perhaps, to decide questions of the transfer of general-construction organizations to the management of local soviets of people's deputies.

On the System of Material-Technical Supply

The conversion of the national-territorial and administrative-territorial formations of the Russian Federation to management conditions based on self-management and self-financing require a different approach to the formation of an adequate and stable system of material-technical supply.

Today the managerial structure for the material and technical supplying of plans for production, work and services in the RSFSR is subdivided into all-union, republic and departmental systems. In the total volume of the wholesale sale of material resources, the share of the territorial organs of USSR Gosnab amounted to 32% in 1988, those of RSFSR Gosnab—5, USSR ministries and departments—30, and RSFSR ministries and departments—30%.

An approach has been developed and adopted in the decree of the USSR Council of Ministers on the conversion of the Belorussian SSR to the new management conditions. The essence of it is that USSR Gosplan provides for the republic councils of ministers for the subordinate economy limits for the appropriate types of centrally distributed resources while USSR Gosnab provides for the republic gosnabs limits for all enterprises and organizations located in the republic's territory, regardless of their departmental subordination (except for defense industries) without distribution by sectors and directions.

Such an approach does not resolve all the problems of the material-technical supplying of integrated plans for the economic and social development of territories; in the RSFSR, for one thing, the centrally distributed resources have a narrow-branch use (pipes for the oil and gas industries and heat and power engineering, rails, etc.). These resources are transferred by USSR Gosnab directly to the appropriate ministries and departments, which work out plans for their distribution and send them down, through their own commodity distribution network, to subordinate enterprises in the appropriate territory. And while the ministries exist it would be proper to retain the supplying of the needs of the enterprises for specialized resources through the ministries.

Secondly, balances of the production and consumption of material resources for the national economy as a whole in a territory are not being developed today in the localities. Several commodity distribution networks with their own warehouses and bases and quotas of stocks of material resources function in the oblasts, krays and autonomous republics. This is one of the reasons for the unsatisfactory use of physical assets and the lack of development of a system for the rational maneuvering of resources in a territory.

On the Management of Financial Resources in a Territory

It appears that some developers of proposals for territorial self-management and self-financing give far too much attention to the development of local budgets. Some consider it necessary to create it on the basis of their own and assigned sources of revenues; others—from the standardized distribution between the local and higher budgets of revenues obtained in the territory from the activity of all enterprises and organizations. True, in both cases there is a proposal to significantly increase the share of the funds left in the localities for the operation and development of the material base of the social sphere and of housing construction. This has an objective basis. The local soviets chronically lack funds for the capital repair of housing and public utilities, the provision of cities and settlements with all proper amenities, the proper maintenance of all socio-cultural and public service facilities, and for housing construction to meet the needs of doctors, teachers, other employees of budgetary organizations, as well as pensioners and disabled persons for housing.

In order to somehow resolve all these problems, the executive committees of local soviets systematically use their authoritative powers by taking part of the departmental housing and mobilizing part of the financial and material resources of the enterprises and organizations. Thus, some 9,500 square meters of floor space was put into operation through the funds of ministries and departments in 1988 in Pushkinskiy rayon of Moscow Oblast. On the basis of decisions taken by the executive committee, 21.3% of this housing was taken and placed at the disposal of the executive committee to meet the needs of the people on the lists of the local soviets.

However, it would be incorrect to orient oneself only on the local budget in solving problems of the socio-cultural development of cities, workers' settlements, and villages. The economic conditions for the development of the material base of the social sphere are being fundamentally changed in the current five-year plan.

The basic sources for the financing of socio-cultural construction were allocations from the state budget received either by special-purpose designation or as the share participation of enterprises under construction. Even in 1987 capital investments from the assets of the housing construction and socio-cultural measures fund amounted to only 10% of the total volume of the assets of the funds of enterprises and organizations.

Today enterprise funds are being actively drawn into the development of the social infrastructure in the localities along with budget funds. Thus, in the RSFSR in 1988 capital investments for the construction of production, housing and socio-cultural projects from the assets of the funds of enterprises and organizations amounted to 53.2 billion rubles, or 43% of the total volume of state capital investments, and in the economy subordinate to the RSFSR—20 billion rubles or 50%. Capital investments

through the assets of housing construction and socio-cultural measures funds now constitute 21% of the total volume of the assets of enterprise and organization funds.

Cooperation in the use of all financial resources in a territory for the purpose of developing the material base of the social sphere in the cities and rayons of oblasts, krays and autonomous republics is necessary. The attempts of enterprises to solve their problems in isolation, each in its own production unit, in its own workers settlement leads, on the one hand, to the complication of the socio-economic problems of the cities, rayons and city microrayons, a deformation of the planning structure and an increase in the cost of construction, and on the other—to the accumulation of the assets of these funds in the accounts of the enterprises, especially small enterprises, since, as a rule, they lack limits for design and contract construction-installation work for these purposes. Thus, the balances of assets of housing construction and socio-cultural measures funds in enterprise accounts in the RSFSR increased from 3.4 to 5.5 billion rubles during the first half of 1989 alone.

There are numerous instances, almost everywhere, when enterprises propose to use the funds they have earned as shares for the construction of housing, childrens pre-school institutions and other projects in the social sphere. However, the executive committees of the local soviets turn them down, which sharply reduces the incentive of the enterprises and organizations to earn the funds.

It is obvious that, in developing a system of self-management and self-financing, economic organizational forms for the utilization of the financial resources in a territory are needed which would guarantee their timely and rational use to the holders of these funds. For example, the territorial associations which are being created and function directly under the direction of the executive committee of local soviets (Nizhniy Tagil, Poti and others).

Centrifugal tendencies in the organization of management and an inclination to restrict self-management and self-financing to the framework of a territory's interests and to attain albeit a closed balance and the satisfaction of their own needs first of all are obvious in the solutions being proposed. In particular, there is a proposal to give local soviets the right to direct for oblast needs the entire amount of the annual above-plan increase of consumer goods produced by all enterprises located in the territory and the entire amount of output produced, all profit withholding taxes and the entire turnover tax obtained at any production capacities at the initiative of the local soviets without involving centralized capital investments. The indicated goods are not to be taken into account when establishing a state order for delivery to republic and all-union stocks.

Disregard for the processes of economic consolidation and the lack of concern and a desire to work for the

balancing of the all-union market show openly through in such proposals. At the same time, it is precisely in this direction that the most stable success can be achieved.

The consumer path is being overlooked in the proposals to improve management that have been put forward and only material incentive measures are coming to light. With this in mind, it is proposed to grant the executive committees of local soviets the right, within the limits of the funds earned, to increase the guaranteed level of social benefits set at the all-union level (social pensions), to introduce additional benefits and grants to strengthen assistance to the population (to render material assistance to low-income, large and broken families, the aged, disabled persons and those who have suffered as a result of natural calamities), by involving the funds of enterprises, organizations and cooperatives, to introduce additions to the salaries of the personnel of the establishments of public health, education, culture and other sectors maintained through local budget funds, as well as additions to wages and to determine the wage and bonus system for the personnel of state administrative organs. And there is no concern about increasing the efficiency of management in a territory and its inclination to seek forms and methods of attracting territorial reserves of production growth into the market, of economic turnover and of sharply increasing the efficiency of labor with firm reliance on territorial factors for the growth of production efficiency. Moreover, the second aspect of self-management—economic liability for a careless attitude towards labor and towards obligations with respect to partners beyond the borders of one's own territory—is being forgotten.

It would be more productive to construct under a model of self-management and self-financing, to implement such organizational forms and to design such economic relationships which would permit one to count more on the basis of a significant improvement of economic activity, an increase of deliveries to the regional and all-union market of consumer goods and industrial engineering products, thereby contributing to the filling up of the market with respect to its physical and value structure. Otherwise it will be impossible to effectively implement the principle of material self-interest.

On Expanding Rights in the Field of Nature Management

In the proposals with respect to the extension of self-management and self-financing made by the oblasts, krays, autonomous republics, krays and oblasts of the Far East, unfortunately, questions of the expansion of the rights in the field of nature management and the adoption of new measures to improve the environment are completely unnoticed. It appears that the priority of local organs of soviet power in questions of environmental protection and nature management ought to be given to the next stage. The union and autonomous republics of the USSR, based on general principles, should themselves, based on general principles, be in charge of environmental protection.

natural resources on their own territory, approve maximum limits and standards for nature management, indicators of the effectiveness and integrated use of natural resources and grant permission for their development, and also set a differential payment for them. A plan for implementation of nature preservation measures is to be developed.

In the last few years, it has become fashionable to accuse the all-union ministries of all the mortal sins and that they, without proper consideration of ecological factors and contrary to the interests of the inhabitants, locate new harmful production units in the oblasts and republics and expand existing ones. But is this so? According to normative documents adopted in the country, the executive committees of local soviets and republic councils of ministers have the right to decide about location in oblasts, krays and republics. Consequently, the local soviets are no less guilty if the economic and social development of a given territory does not proceed in an integrated manner. True, they were compelled to make irrational decisions, and what is more, until recently they sought after the siting of various production units, hoping thereby to obtain additional centralized material resources and capital investments also for the development of the social sphere.

However, since there was no analysis of the development of the entire economy in the territory and of the structure of production and the employment of the population, the decisions of many local soviets on the distribution of productive forces in the final analysis led to the non-integrated development of production and of the production and social infrastructure. We frequently encounter instances of a shortage of electric power and heat in a number of cities and of a shortage of labor resources or the lack of places for the application of male or female labor.

Only in the current five-year plan have local party and soviet organs fundamentally raised the question concerning the suspension of production construction already started and of shifting the capacities of contract construction organizations over to housing construction and the provision of social amenities. And what is more, the Leningrad, Smolensk, Kalinin oblast party committees and the Moscow city party committee and city executive committee made to the government and supported proposals about revoking previously given consents and the decisions taken by the government on their basis with respect to the location of a number of new enterprises and individual production units on their territory. In other words, local government bodies are now substantiating the need to cancel previously taken decisions.

On the Territorial Foreign Exchange Plan

A number of decrees concerning the decentralization of foreign economic activity have been adopted in the last few years. However, a positive effect has not been

obtained with their coming into force because the mechanism for the development of foreign economic ties was not thought through enough. The center has decreased organizational and methodological assistance to the enterprises in the organization of foreign economic ties while in the localities—in the oblasts, krays and republics—a structure for the rendering of services to enterprises and organizations in this matter has not as yet been developed.

The Tatar ASSR council of ministers and the Sverdlovsk, Chelyabinsk and Kemerovo executive committees of the soviets of people's deputies have proposed expansion of their powers and material interest in foreign economic activity. The proposition is to organize territorial foreign exchange funds by means of a higher share than envisaged by the decisions adopted by the government of the transfers from the foreign exchange earnings of all enterprises and organizations located in the territory and carrying out foreign economic activity. This is to be the instrument of economic incentive.

The intention is to form such funds with the object of concentrating foreign exchange funds to purchase consumer goods, medicines and medical equipment, equipment to improve the ecological situation and to strengthen the material base of the socio-cultural sphere and for the import of the latest equipment and technology for the development of export potential and for the solution of other social and economic problems.

Selective analysis of the practice of forming the foreign exchange funds of the executive committees of local soviets by krays and oblasts of the Russian Federation, done by RSFSR Gosplan and the RSFSR Ministry of Finance, has indicated that the transfers made by the enterprises and organizations in the amount of 5% of their foreign exchange funds does not match up with the estimated amounts obtained on the basis of the presence of participants in foreign economic activity in the corresponding territories. Thus, according to information from the Novgorod oblast executive committee, 32 enterprises of all-union and republic subordination in the oblast carry out export deliveries but as of the middle of October 1989 only four enterprises had transferred funds to the oblast executive committee's foreign exchange fund. Some 75 participants in foreign economic relations are registered in Chelyabinsk oblast, but as of 1 September 1989 they had transferred only 3,000 foreign exchange rubles to the oblast executive committee's account. A similar situation has developed in Arkhangelsk, Belgorod, Kursk, Penza and Smolensk oblasts.

The majority of the executive committees of local soviets of people's deputies do not have work experience in assisting enterprises and organizations in establishing foreign economic ties. As a result only 10% of the total number of enterprises and organizations located in the republic was involved in foreign economic activity in the RSFSR in 1989. Foreign economic relations are developing extremely poorly in the overwhelming majority of

oblasts, krays and autonomous republics and they have a pronounced import tendency.

It appears advisable to approach problems of putting the foreign economic activity of the enterprises into good order from broader positions. One has to organize an appropriate mechanism for managing the foreign exchange resources in the territory; introduce reliable statistical reporting; establish a procedure for the interaction of enterprises and organizations engaged in foreign economic activity with the executive committees of local soviets; set up the monitoring of the use of foreign exchange funds in the territory and, perhaps, introduce penal sanctions for enterprises which do not transfer these funds to the accounts of the executive organs of government on time; and create offices of USSR Vneshekonombank (Bank for Foreign Economic Activity) in the localities, etc.

On Managing Labor Resources in a Territory

The decrees of the USSR Council of Ministers and the RSFSR Council of Ministers on immediate measures for the conversion of the Belorussian SSR, Tatar ASSR and Chelyabinsk Oblast to new management conditions on the basis of self-management and self-financing did not take into account problems of the management of labor resources in a territory. They did not go further than prescribing a payment for labor. Only the Chelyabinsk oblast soviet of people's deputies asked about its being given the right to collect a payment for local labor resources employed at enterprises and in organizations in other regions of the country and to independently conclude contracts with other local soviets concerning the organized recruitment of manpower.

Under conditions of self-management and self-financing one has to take a new approach to problems of the redistribution (inter-republic, inter-oblast) of labor resources in all its forms: the carrying-out of agricultural resettlement, the organized recruitment of workers, the public call-up of youth and the direction of seasonal construction brigades and of skilled workers by way of transfer to especially important newly erected enterprises, etc. In this connection one should also think through the organizational and financial aspects of the activity of organs with respect to labor.

The conversion of republics, krays and oblasts to the new management conditions does not by itself increase the republic and oblast share of the all-union "pie," and does not yield additional resources. On the contrary, it obliges them to earn and live within their means, to deal with production potential better and to manage more rationally, to attract territorial factors and reserves for growth of the efficiency of social production into the national economic turnover, to develop and maintain the material base of the social sphere and on this basis to more fully meet the needs of the population for benefits and services.

Greater attention should be paid to these aspects of management in the process of conducting economic

experiments and working-out new management conditions in the republics, krays and oblasts on the basis of self-management and self-financing.

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Decision That Interbank Transactions Go Through Moscow Assailed

Bookkeeper's Criticism

*904A0301A Tallinn SOVETSKAYA ESTONIYA
in Russian Mar 20 p 2*

[Article by Yu. Chaplygin, chief bookkeeper of the Baltiyets Production Association, Narva: "Banks Are at War... and Labor Collectives Suffer"]

[Text] As is well known, at the end of February the Board of the USSR Bank adopted a decision on a fundamental change in the procedure of bank transactions for enterprises in Estonia, Lithuania, and Latvia as of 1 March of this year. Estonia's banks are excluded from participation in the country's interaffiliate service transactions, that is, in practice, they are no longer banks in the true sense of the word, but only archives for financial documents.

Whereas previously payments between the Bank of Narva and any bank in Leningrad passed directly in several days, now the passage of payments will be as follows: Leningrad-Moscow (Central Operating Administration of the USSR State Bank)-Tallinn-Narva.

Under conditions of self-financing and of the priority of indicators concerning sales of output and realization of profit the change in the procedure of bank transactions and the increase in the time of paper flow are fraught with serious economic and social consequences.

Who—both suppliers and consumers—will want to be our business partners under conditions of the proposed procedure of transactions, lack of confidence in receiving funds, and, moreover, universal shortage of material and technical resources?

We well understand the concern of bank workers that the passage of all payments through Moscow and Tallinn will lead to confusion and delay in transactions and to a big volume of additional bank operations. In order to rake aside additional flows of bank information in Moscow and Tallinn, additional bank employees' jobs will be needed. However, this is only one side of the coin. Ultimately, the interests of enterprises will suffer, because nonfulfillment of the sales of output and realization of profit will lead to a reduction in economic incentive funds and in budget payments.

The whole civilized world seeks to speed up transactions and uses telephone communication successfully. We, however, with our cave-man technology of paper flow are again thrown back today.

NATIONAL ECONOMY

On 2 March the Bank for Housing and Municipal Services and Social Development received a bill from Kingisepp in Leningrad Oblast, but the payment was sent through Moscow. A number of our suppliers request a refinement in the procedure of transactions and try to break contractual obligations as with unreliable partners. The time of bank paper flow and of transactions is slowed down three- to four-fold. This will require additional circulating capital on the order of 5 million rubles for stocks of finished products and resources in goods unloaded at an average-size industrial enterprise. Throughout Estonia's industry the sum will total hundreds of millions of rubles.

Such a procedure of financial-economic and bank transactions represents a real threat for the normal development of Estonia's industrial potential and for the growth of the republic's gross product and can lead to a decline in the standard of living of labor collectives and of the entire nation. Are real politicians and economists interested in such aims?

Bank Chairman Assessment

*904A0301B Tallinn SOVETSKAYA ESTONIYA
in Russian 20 Mar 90 p 2*

[Article by G. Litvinova, chairman of the Board of the Estonian Republic Bank of the USSR State Bank: "Is the 'Bank War' Inevitable?"]

[Text] On 2 March our newspaper published an interview with managers of the Bank for Housing and Municipal Services and Social Development entitled "A Bank War?", which cast doubt on the new procedure of bank operations introduced by the USSR State Bank on 1 March of this year. The same was also discussed in the article by chairman of the Board of the Foreign Economic Bank published on 11 March of this year.

Today G. Litvinova, chairman of the Board of the Estonian Republic Bank of the USSR State Bank, expresses her views of the new procedure of transactions.

Recently mass information media have paid much attention to the work of banks, transactions among banks, and development of banking in the republic. This is well-founded. After all, problems of finances, money circulation, credit, material and monetary balance, and the state of settlements between suppliers and clients are some of the most important and urgent in the accomplishment of perestroika tasks and in the realization of the IME [Self-Managing Estonia] concept.

I will dwell not only [sic] on one matter, which now greatly disturbs not only enterprises and associations, but also banks—on the matter of transactions.

Republic newspapers have repeatedly mentioned the telegram of the Board of the USSR Bank dated 26 February of this year, which gave instructions to all banks in the Baltic region to close interaffiliate transaction accounts as of 1 March and to make payments

through correspondent accounts opened for every specialized bank in the Board of the USSR State Bank.

It is quite true that these instructions were unexpected for all workers of the banking system and were met with alarm, because the entire system of transactions must be reorganized, which will demand some time and effort.

Was there a need to change the system of cashless transactions?

Until now payments for work performed and services rendered in connection with deliveries of products have been made through the system of interaffiliate transactions, that is, transactions among affiliates of bank institutions. This is a pure bank term and, perhaps, it is difficult for nonprofessionals to understand it. Moreover, even for bank workers not engaged in transactions it is not easy to understand how to carry out these transactions. Such a procedure of transactions is cumbersome and technically complex, requires big labor expenditures, and, moreover, has already become obsolete. It is not surprising. After all, the beginning of the introduction of interaffiliate transactions dates back to 1933. After that credit and monetary reforms were carried out, but the system of cashless transactions remained unchanged.

The system of interaffiliate transactions involves the funds of our enterprises for shipments of products outside the republic and the funds of enterprises for shipments of products to our republic. However, no republic can imagine the amount of these funds in transactions. They can be calculated only in the Board of the USSR State Bank and only after 1 year. Yet these funds are the republic's credit resources and it is not ruled out that the country's other regions, where farms do not work in a sufficiently stable manner and are short of credit resources, use our funds.

Transactions through interaffiliate turnovers suited the unified centralized banking system, when resources were counted for the country as a whole and the extension of credit for farms was limited.

Now, when banks have become cost-accounting organizations, such a procedure of transactions is more unacceptable.

In world practice transactions are carried out through correspondent accounts of every bank, which during the performance of active operations (operations concerning the issue of credits) always knows the state of its resources. The same need has also arisen in connection with the transition of Baltic Republics to economic independence.

Turnovers concerning the payment for documents and for the receipt of funds to enterprises of a corresponding specialized bank in our republic will pass through the correspondent account. No control over bank activity in the republic on the part of the USSR State Bank, as Comrade V. Porfiryev wrote (SOVETSKAYA

ESTONIYA, No 58, dated 11 March of this year), is seen in this. But everyday the republic will see its funds in transactions, as well as the funds enlisted by the republic. Consequently, the new form of transactions is an economic need under conditions of the republic's economic independence.

As I have already noted above, bank workers have received the change in the procedure of transactions with alarm and this alarm has been transmitted to enterprises and organizations, which assume that the new procedure will lead to delay in transactions.

On 10 March we in the republic received the first documents for writing off and crediting funds to our enterprises through correspondent accounts during the period from 1 through 5 March of this year. An analysis has shown that there are no and should be no delays in the crediting of funds. And if they arise, this is the result of the transitional period, the period of introduction. Furthermore, it will be possible to account for them by the unpreparedness of banks in the entire country for the new procedure of transactions, by the failure to understand the rules of performance of operations, or by the confusion of bank workers, when documents are received both according to the old and the new method and are not promptly sent to banks for crediting or writing off funds.

Reports by some of the country's suppliers on discontinuing the shipment of raw materials and supplies to our republic owing to the change in the procedure of transactions—this is a lack of understanding, or an attempt to cover their guilt for underdeliveries.

Nothing changes for suppliers of our enterprises' products outside the republic. For example, shipping products to the city of Leningrad, the Slantsekhim Association presents documents to the Kokhtla-Yarveskiy department of the Industrial Construction Bank, which sends these documents to the bank department in the city of Leningrad for payment. This bank department transfers funds (as before) addressed at Slantsekhim to the Kokhtla-Yarveskiy bank department and, at the same time, sends this sum to the Central Operating Administration of the Board of the USSR State Bank for reflection in the correspondent account of the republic's Industrial Construction Bank. Payments by telegraph are made in accordance with the same procedure. At the same time, telegraph payments also go to two addresses—to the Central Operating Administration of the USSR State Bank and the supplier's bank for crediting funds to the supplier's account.

The dispatch of documents concerning deliveries of products to our republic changes. For example, a supplier in the city of Samarkand, shipping raw materials to the city of Narva, delivers documents to the bank department servicing it, which sends them to the Central Operating Administration of the USSR State Bank, where they are paid for from the correspondent account

of our republic's Bank for Housing and Municipal Services and Social Development. After that documents are sent from Moscow to the department of the Bank for Housing and Municipal Services and Social Development in the city of Narva for reflection in the account of Krengolmskaya Manufakturna. In this case transactions will be sped up, because the Samarkand enterprise will receive money from Moscow more quickly than from Narva.

The procedure of transactions according to instructions and letters of credit, as well as the right to subsequently refuse to pay for bills in accordance with the established procedure, remains as before. I only want to make a request that enterprises and organizations draw up and submit to banks all payment documents in one more copy than they did until now.

Transactions for enterprises serviced by commercial banks are also carried out in a similar way, through correspondent accounts.

Of course, if the Board of the USSR State Bank had given the country's banks time to prepare for the transition to the new procedure of transactions, there would be no questions. Unfortunately, however, the time for preparation was not given. We, workers of the republic's banking system, should not aggravate the situation. We should learn as we go along and take measures for the most rapid and full transition to transactions through correspondent accounts. For this purpose it is necessary to train bank workers to work with enterprise representatives and not to permit malfunctions in transactions and disruptions in the fulfillment of plans for the sales of output.

Transactions among enterprises inside the republic are still carried out according to the old method. After the elaboration of all problems concerning the new system of transactions outside the republic the Bank of Estonia and the republic's State Bank jointly with other banks will develop the most acceptable and advisable form of transactions.

So, do banks have something to fight about with each other? Is it not better for them to direct their energy so that the transition to transactions through correspond accounts in the republic is made painlessly?

1989 Armenian Development, Budget Figures Published

90410304A Yerevan KOMMUNIST in Russian
24 Mar 90 pp 1-2

[Decree of the ArSSR Council of Ministers: "Of the ArSSR State Plan for Economic and Social Development and the ArSSR State Budget for 1989"]

[Text] The ArSSR Council of Ministers notes that the measures taken to normalize the situation in the republic

and to rebuild the economy destroyed by the disaster, the decline in the republic's economic and social development was halted in 1989.

A growth of 10 percent over the 1988 level was achieved in the national income produced.

The plans for the year were fulfilled for the production of consumer goods at a level of 101.8 percent, retail sales at a level of 105.3 percent, paid services to the public at a level of 109.1 percent, and the circulation of money in the republic was improved somewhat.

Industrial capacity with an amount of 532 million rubles has been rebuilt in the disaster area, and 167 industrial associations and enterprises were either entirely or partially in operation.

There was some increase in the pace of production at enterprises not damaged by the earthquake (103 percent, as against 100.8 percent in the 1st half of 1989).

There were 70 industrial enterprises that produced 405 products in the superior-quality category, 21 of them certified for the first time.

The index numbers relative to 1988 were 170 for the assimilation of state capital investments, 162 for performance of construction and installation work, and 147 for activation of fixed capital.

In the republic as a whole and from all sources of financing (including private funds), the housing activated amounted to 1,346,000 m² of total floor space, public schools were opened with 15,300 places, hospitals were opened with 945 beds, polyclinics with a capacity of 1,269 visits per shift, children's preschool institutions with a capacity of 4,700, and clubs and culture centers with a capacity of 3,700.

In ministries and departments subordinate to the ArSSR Council of Ministers, the productivity of labor in construction was 101.3 percent.

Plans were fulfilled on farms of all categories at a level of 112.1 percent for state purchases of livestock and poultry and 115.7 percent for purchases of wool.

The Yerevan Department of the Transcaucasus Railway fulfilled the year's plan for the dispatching of freight at a level of 105.6 percent. The plan for freight traffic of common highway carriers was fulfilled at a level of 100.2 percent.

The plan for income from the principal activity of communications enterprises was fulfilled at a level of 103.1 percent, including a level of 108.6 percent from services to individuals. The state order for the growth of main telephone equipment and the length of intercity telephone channels was fulfilled at 100 percent.

The Armenian Civil Aviation Administration fulfilled the plan for passenger traffic at a level of 108.6 percent and for the volume of originating passengers at a level of 122.3 percent.

Enterprises and organizations subordinate to the ArSSR Council of Ministers fulfilled the profit plan at 105.8 percent, including a level of 106.6 percent for industrial enterprises and organizations.

A number of measures were carried out to make the environment healthier. Emissions of toxic substances into the atmosphere from stationary sources were reduced by 31 percent over 1988, and there was a reduction of 11.3 percent for the city of Yerevan.

At the same time, many adverse processes taking place in the economy could not be overcome in the reporting year, construction and rebuilding in the disaster zone were less than planned, and the targets were not met for most of the indicators of the republic's socioeconomic development.

The morale created in the republic, resulting in a sharp decline of work discipline and production discipline, had an extremely adverse effect on the overall results of performance.

Worktime losses in 1989 amounted to 3,286,000 man-days in industry and 748,000 man-days in construction.

The extremely serious situation brought about in the 2d half of 1989 because of the republic's economic blockade by extremist forces of Azerbaijan SSR had an adverse effect on operation of all sectors of the economy and especially on progress in economic recovery in the earthquake zone.

In industry as a whole, the volume of output in comparable prices was 96 percent of the 1988 level.

The plan for product deliveries under contracts concluded was fulfilled at a level of 96.4 percent.

A sizable drop in the volume of production from 1988 was recorded by enterprises of the USSR Ministry of Chemical and Petroleum Refining Industry (5.3 percent), ArSSR Gosagroprom (5.9 percent), and ArSSR Gosstroy (5.3 percent) which had not been damaged by the earthquake.

In all, 133 production associations and enterprises failed to perform contractual obligations and failed to deliver products worth 268.6 million rubles.

Enterprises and associations of Yerevan, which fulfilled contractual obligations for product deliveries at a level of only 95.6 percent, ended the year extremely unsatisfactorily.

Obligations contained in the plan were not discharged by the enterprises and associations of any rayon in the capital, and as a consequence consumers failed to receive products worth 179.4 million rubles.

Enterprises of 28 cities and rayons in the republic had a smaller volume of marketed output than in 1988. For instance, the volume of commodity output in 1989 related as follows to the 1988 volume: 88.6 percent in Artashatskiy Rayon (chairman of the Executive Committee of the rayon soviet Comrade S.M. Sedrakyan), 89.8 percent in Ashtarakskiy Rayon (Comrade R.Ts. Grigoryan), 76.7 percent in Krasnoselskiy Rayon (Comrade A.S. Khachatryan), and 66.3 percent in the city of Oktemberyan (chairman of the Executive Committee of the city soviet Comrade R.G. Melkonyan).

Industrial enterprises in the disaster zone have been slow to recover, and as a consequence they have not reached the level of the volume of output they had before the earthquake. Capacity put into operation at those enterprises is being used at a level of only 60-70 percent because of the shortage of workers.

Plans were not fulfilled for repair and new construction of housing and other social and cultural service facilities.

During 1989, 302,400 m² of total floor space of housing was activated, or 17.5 percent of the annual plan, public schools with a capacity of 3,330 students, or 12.8 percent, children's preschool institutions with a capacity of 405, or 3.7 percent, and hospitals and polyclinics with 80 beds, or 19 percent.

There has been a noticeable deterioration of the labor participation rate. There are 43,500 people in the disaster area and about 50,000 refugees from Azerbaijan SSR for whom jobs have to be found.

While a sizable number of people are in need of jobs, in the branches of the economy there are approximately 16,500 unfilled job slots and vacancies, which is the result of inadequate effort by the ispolkoms of local soviets of people's deputies to bring labor resources into social production. The productivity of labor in industry was for the year 2.9 points below 1988 and the drop in the volume of output was 8.6 percent.

Enterprises of defense sectors located in the republic were not sufficiently prepared for the conversion beginning in 1990 of a portion of their production capacities to the output of civilian products and consumer goods because they lacked a portfolio of orders. No general conception of this process has been worked out.

In spite of overfulfillment of the commodity sales plan by 5.3 percent, public demand is not being fully met, especially in the damaged areas, for building materials, durables (furniture, refrigerators, washing machines, television sets, etc.), and food.

The ArSSR Ministry of Highway Transportation (Comrade G.B. Badayan) and the ispolkom of the Yerevan City Soviet of People's Deputies (Comrade A.M. Gegamyan) failed to fulfill the plan for passenger transportation services.

The failure to fulfill production assignments has considerably worsened the financial condition of the republic's

enterprises and organizations. The profit plan for 1989 was fulfilled at only 95.9 percent, including a level of 101.2 percent for the republic economy.

The profit plan in the industrial sector as a whole was fulfilled at 93.6 percent, including 83.9 percent for enterprises under union jurisdiction. Industrial enterprises and organizations of the USSR Ministry of Power and Electrification fell short 20.5 million rubles of profit (the production association "Armenergo," whose general director is Comrade F.Kh. Akopdzhanian—20.2 million rubles), the USSR Ministry of the Chemical and Petroleum Refining Industry—9.8 million rubles (the Scientific-Production Association "Nairit," whose general director is Comrade S.A. Astvatsatryan—4.5 million rubles, and the Yerevan Tire Plant, whose director is Comrade A.G. Sukiasyan—2 million rubles in losses), the USSR Ministry of Heavy Machinebuilding (the Production Association "Armkhimmash," whose general director is Comrade V.A. Stepanyan—3 million rubles), the USSR Ministry of the Electrical Equipment Industry and Instrumentmaking—10.5 million rubles (the Scientific-Production Association "Armelektromash," whose general director is Comrade M.K. Arutyunyan—6.3 million rubles, "Elektropribor," whose general director is Comrade A.A. Kiliyan—4.2 million rubles), the USSR Ministry of Motor Vehicle and Agricultural Machinebuilding—6.7 million rubles in losses (the Production Association "ArmAvto," whose general director is Comrade Dzh.Z. Abramyan—4.5 million rubles in losses, and the Yerevan Motor Vehicle Plant, whose director is E.S. Babadzhanyan—3.3 million rubles in losses).

In agriculture, there has been a drop in the indicators of the volume of production and procurements of the principal products of cropping and animal husbandry compared to 1988. The republic fell short 2,860 tons of fruit, 2,500 tons of grapes, and 3,600 tons of vegetables in deliveries to nationwide stocks.

The lowest indicators of plan fulfillment for purchases of potatoes were on farms of Bagramyanskiy Rayon (chairman of the ispolkom of the raysovet Comrade B.Yu. Avchyan)—20.7 percent, Aniyskiy (Comrade R.N. Saribekyan)—22.6 percent, Aparanskiy (Comrade M.A. Pogosyan)—50.3 percent, Kalininskiy (Comrade Zh.O. Baroyan)—55.5 percent, Stepanavanskiy (Comrade A.S. Vardanyan)—57.1 percent, and Araratshenskiy Rayon (Comrade S.M. Sedrakyan)—79.8 percent; for vegetables on the farms of Araratshenskiy Rayon (Comrade S.M. Vardanyan)—62.9 percent, Artashatskiy (Comrade S.M. Sedrakyan)—63.5 percent, Masisskiy (Comrade G.M. Gevorkyan)—66.4 percent, Oktemberianskiy Rayon (Comrade M.N. Mkhitaryan)—95.5 percent; and for grapes on the farms of Bagramyanskiy Rayon (Comrade B.Yu. Avchyan)—31.5 percent, Artashatskiy (Comrade S.M. Sedrakyan)—36.1 percent, Araratshenskiy (Comrade S.M. Vardanyan)—48.7 percent, Oktemberianskiy (Comrade M.N. Mkhitaryan)—48.8 percent, Echmidzinskii (Comrade G.V. Ovsepian)—49.4 percent, and Masisskiy Rayon (Comrade G.M. Gevorkyan)—65.8 percent.

The plan for putting by feed was fulfilled at only 52.9 percent. The amount put by per conventional head of livestock was 9.11 quintals of feed, while the plan called for 17.2 quintals, which does not meet the need of animal husbandry and creates a real threat for a drop in the number of livestock in 1990 on farms of all categories.

The situation with the storage of feed was worst on the farms of Aparanskiy (chairman of the ispolkom of the raysovet Comrade M.A. Pogosyan), Aniyskiy (Comrade R.N. Saribekyan), Aragatskiy (Comrade A.A. Karapetyan), Ashtarakskiy (Comrade R.Ts. Grigoryan), Artikskiy (Comrade R.V. Movsesyan), Gugarkskiy (Comrade G.A. Nazaryan), and Talinskiy (Comrade G.S. Karapetyan). Rayons were less than 40 percent of the animal feed called for by the plan was put by.

The farms in 25 rayons and the cities of Dilizhan and Yerevan failed to fulfill the plan for milk procurements.

The plan for egg purchases was not fulfilled by the farms of Aparanskiy Rayon—39.3 percent, Aniyskiy and Gorisskiy—73.2 percent, and Echmiadzinskiy Rayon—78 percent, nor by the republic production-industrial combine "Armpititseprom"—95.2 percent.

The situation on the railroad remained problematical throughout the entire year. The average standing time of cars during freight-handling operations was 7.9 hours, while the standard allowance is 4.7 hours, and penalties amounting to 4.13 million rubles were imposed on those responsible for the excessive standing time. Standing time for freight cars was particularly high for construction organizations in the earthquake zone (17.2 hours as compared to the standard allowed time of 3.5 hours).

Enterprises outside the earthquake zone had quite high standing time for freight cars: the Scientific-Production Association "Armelektromash" (general director Comrade M.N. Arutyunyan)—9.24 hours, while the standard allowance is 6.3 hours, the Avanskiy Salt Mine (director Comrade Sh.A. Minasyan)—11.2 hours as against 6.04 hours.

The situation in the republic's capital construction has become extremely disturbing.

The plan for state capital investments was fulfilled at 88.9 percent, for construction and installation work at 82.4 percent, and for activation of fixed capital—59 percent.

Capacities in a number of production operations were not activated. Assimilation of state capital investments fell short 437 million rubles, and construction and installation work fell short 408 million rubles, and activation of fixed capital fell short 1.259 billion rubles.

The volume of unfinished construction at the end of 1989 on the territory of the republic was 2.75 billion rubles, or 127.1 percent of the annual volume of state capital investments.

The plan for construction of social and cultural service facilities is being fulfilled unsatisfactorily.

Only 34 percent of the housing, 35 percent of public schools, 60 percent of the hospitals, 29 percent of the polyclinics, 26 percent of the children's preschool institutions, and 44 percent of clubs and culture centers financed with state capital investments were activated.

In the republic economy, the shortfall consisted of 297,000 m² of housing not activated, public schools with 6,434 spaces, preschool institutions with a capacity of 4,645, hospitals with 180 beds, polyclinics with a capacity of 1,890 visits per shift, and clubs and culture centers with a capacity of 2,300.

Fulfillment of plans for assimilation of capital investments and activation of housing was as follows for the principal customers: 63.8 percent and 53.7 percent, respectively, for the ispolkom of the Yerevan City Soviet of People's Deputies (former chairman Comrade E.P. Avakyan) and 71.4 percent and 73.4 percent for the ArSSR Ministry of Housing and Municipal Services (Comrade G.M. Sarukhanyan). Not a single square meter of housing was activated for the ispolkoms of the Leninakan City Soviet of People's Deputies (chairman Comrade K.D. Ambartsumyan) and the Kirovakan City Soviet of People's Deputies (chairman Comrade V.A. Karagezyan).

There is a similar situation in fulfillment of the plan for cooperative housing construction. The housing activated amounted to 72,100 m², or 59.4 percent, and 35.5 percent of the capital investments were assimilated, including figures of 53,800 m², or 57.6 percent, and 37.2 percent, respectively, for the ispolkom of the Yerevan City Soviet of People's Deputies and 18,400 m², or 82.8 percent, and 61.2 percent for the ArSSR Ministry of Housing and Municipal Services.

The republic's principal contracting organizations failed to fulfill the plan for housing construction financed from state capital investments and the resources of housing construction cooperatives: ArSSR Gosstroy (Comrade L.K. Shakhbazyan) and the republic state-cooperative association "Armagropromstroy" (Comrade K.S. Martirosyan).

Plans were not fulfilled for construction of projects of the construction industry's own production base and the building materials industry.

ArSSR Gosstroy fulfilled the plan for construction and installation work at 85.3 percent, the Production Association "Armpromstroymaterialy" at 59.6 percent, and the republic state-cooperative association "Armagropromstroy" at 86.8 percent.

The volume of uninstalled equipment remained at a high level—more than 130 million rubles, including more than 30 million rubles worth of imported equipment.

The effort to obtain the stocks allocated was poorly organized in the republic. For instance, ArSSR Gosstroy

failed to receive 16 out of 39 excavators and 4 out of 30 bulldozers, ArSSR Gosagroprom failed to receive 51 out of 228 excavators and 33 out of 209 bulldozers; 85 "Volga" taxis, almost 150 million rubles of building materials, and a substantial quantity of durable consumer goods [were not received], and more than 900 automobiles were not delivered to the trade sector.

The low level of assimilation of capital for such very important products as rolled products of ferrous metals—86.7 percent (deliveries were short 82,200 tons), timber and lumber in terms of logs—65.3 percent (356,200 m³), asbestos shingles—64.9 percent (39.6 million standard shingles), builder's glass—71.8 percent (924,000 m²), radiators and convectors—92 percent (20,000 m²), paints and varnishes—78 percent (655 tons), polyethylene—87.7 percent (1,600 tons), tires—94 percent (14,000 tires), centrifugal pumps—87.9 percent (874 pumps), bulldozers—89.4 percent (11 units), power cable—82.3 percent (300 km), armored cable—83 percent (141 km), etc. For stores realized through ArSSR Gossnab, the shortfall of physical resources amounted to 110 million rubles.

The ArSSR State Budget was fulfilled on the revenue side. Plans were fulfilled and overfulfilled for the principal sources of revenues.

In 1989, the aggregate shortfall of planned budget revenues was 2 million rubles (fulfillment for the city of Artik was 95.2 percent, for Oktemberyan 98.6 percent, for Gorisskiy Rayon 84.9 percent, and for Yekhegnadzorskiy Rayon 99.5 percent).

Expenditures of the ArSSR State Budget were fulfilled at 98.9 percent; that is, 36.7 million rubles of budget funds were not assimilated.

Thanks to a certain improvement in the circulation of money in the republic, note issue was 1,396,000 rubles, as against the planned 2,775,700 rubles. The revenue side of the cash plan was fulfilled at 110.1 percent. But not all heads of ispolkoms of local soviets of people's deputies stepped up their activity to improve the circulation of money. Out of 44 ispolkoms, 5 did not fulfill the revenue side of cash plans: the shortfall in fulfillment of the revenue side was 611,000 rubles for the ispolkom of the Dzhermuk City Soviet of People's Deputies, 32,000 rubles in Yekhegnadzorskiy Rayon, 250,000 rubles in Martuninskiy Rayon, 231,000 rubles in Gorisskiy Rayon, and 62,000 rubles in Megrinskiy Rayon.

Although there was a certain reduction of nonpayments compared to the results for 1988, total nonpayments as of 1 January 1990 remain high and amounted to 503.4 million rubles.

On the whole, the results of fulfillment of the ArSSR State Plan for Economic and Social Development and the republic's State Budget for 1989 indicate that in a number of branches, enterprises, and organizations the trends indicate a substantial improvement of matters, and a serious search is being made for ways of getting the

republic out of its critical situation. At the same time, changes for the better are not noticeable in the work of many leaders and entire collectives, the processes of perestroika have not replaced stagnation, mismanagement, irresponsibility, and permissiveness.

The ArSSR Council of Ministers decrees as follows:

1. It notes that a sizable number of ArSSR ministries and departments, associations, enterprises, and organizations under union jurisdiction located in the republic and ispolkoms of local soviets of people's deputies did not achieve fulfillment of the assignments in the ArSSR State Plan for Economic and Social Development in 1989, and as a consequence the ArSSR economy is delayed in its development with respect to a number of very important indicators.

It orders Comrades V.M. Movsisyan, L.G. Saakyan, V.M. Dayan, G.A. Oganesyan, Yu.Ye. Khodzhamiryan, and M.Ts. Mkrtchyan, deputy chairmen of the ArSSR Council of Ministers, to join the heads of ArSSR ministries and departments and organizations and enterprises in conducting a thorough analysis of the causes of the unsatisfactory performance of national economic complexes and branches and individual enterprises, and to take immediate steps to correct the oversights and omissions, to see that plans for 1990 are fulfilled, and to improve in every way the mechanism for management and conduct of economic activity, to deepen further the economic reform, making use of the entire arsenal that exists of economic and organizational methods of exerting pressure.

2. Taking into account the critical situation that has come about with fulfillment of the plan for activation of housing and social and cultural service facilities in the republic, especially in the earthquake zone, the deputy chairmen of the ArSSR Council of Ministers, jointly with the heads of USSR and ArSSR ministries and departments, ispolkoms of city and rayon soviets of people's deputies are to pay greater attention to strengthening the material base of the social and cultural sphere, to draft within 1 month's time and carry out measures ensuring fulfillment of the plans outlined for construction and activation of housing, schools, preschool institutions, and other facilities which have social importance.

3. The institutes "Yerevanproekt" (Comrade A.A. Chakhmakhchyan), "Armgosproyekt" (Comrade G.G. Pogosyan), "Armkommunprojekt" (Comrade R.T. Tatevosyan), "Armgiproselkhoz" (Comrade R.E. Yagubyan), and other design organizations designing housing and projects for social, cultural, and everyday services are by 25 March 1990 to complete delivery of project plans and estimates for construction of the projects included in the 1990 plan.

4. ArSSR Gosstroy and ArSSR Gosplan are to examine with the help of construction organizations and those ministries and departments which figure as customers the state of affairs at construction projects carried over from 1989 and to be activated in 1990, to verify that

equipment, materials, and also capacity of construction contractors have been provided for them, and to take measures to activate the projects under construction. To complete in the shortest time the redesigning involved in improving earthquake resistance.

ArSSR ministries and departments are within 1 month to conduct a thorough inventory of project plans and estimates covering unfinished production and not to be used because it is outdated. It is to be duly written off. Information is to be presented to the ArSSR Council of Ministers by 15 April 1990.

5. ArSSR Gosstroy, the republic state-cooperative association "Armagagropromstroy," ispolkoms of city and rayon soviets of people's deputies, jointly with ministries and departments that figure as customers are within 1 month to conduct a thorough analysis of the state of unfinished construction projects as of 10 April 1990, the anticipated operation of finished projects in 1990 fc.: each ispolkom of a soviet of people's deputies and each construction organization, and make proposals to the ArSSR Council of Ministers on measures to overcome the mismanagement that has occurred.

6. ArSSR Gosagroprom (Comrade N.K. Ayvazyan), jointly with ispolkoms of rayon soviets of people's deputies:

- are to draft and carry out measures guaranteeing successful performance of the spring planting campaign, to thoroughly reexamine the structure of areas being planted, bringing them into conformity with the altered demographic and other conditions of production;
- are to convert all agricultural enterprises to a maximum economy regime, guaranteeing the profitability of farms, and are to constantly monitor animal feed consumption, feed concentrates in particular.

7. Deputy chairmen of the ArSSR Council of Ministers, jointly with the heads of the ministries and departments and managers of associations and enterprises are to take exhaustive steps to guarantee fulfillment of the targets envisaged for 1990 in increasing the production of consumer goods and augmenting the volume of paid services. To monitor more closely the expenditure of resources to remunerate labor, to eliminate the possibility of payment of funds which have not been earned, and to achieve normalization of the growth of personal money income, which is a most important condition for stabilizing the consumer market and for overcoming inflation.

The ArSSR Ministry of Trade (Comrade R.A. Sukhudyan) and the board of Aykoop (Comrade M.O. Muradyan) are to improve commercial activity of organizations in the trade sector with the republic's industrial and agricultural enterprises and with other regions of the country in a maximum effort to find commodity resources.

8. The deputy chairman of the ArSSR Council of Ministers (Comrade V.M. Dayan), the general directors of the scientific-production associations "Sevan" (Comrade G.S. Karapetyan), "Astro" (Comrade G.Kh. Khatryan), and "Akhpypur" (Comrade R.O. Oganesyan), the production associations "Aviakompleks" (Comrade R.O. Oganesyan) and "Rele" (Comrade G.T. Sultanyan), directors of the plants "Bazalt" (Comrade E.S. Dadashyan) and "Araks" (Comrade G.M. Agadzhanyan) are within 1 month to complete the work of drafting proposals on conversion of production capacities of enterprises in the defense branches to the manufacturing of consumer goods with a view to organizing the production of sophisticated household appliances and durable goods, enlisting in that effort branch scientific research institutes and design offices.

9. ArSSR Gossnab (Comrade S.N. Stepanyan), ministries and departments, and enterprises and organizations are to step up the organizational effort to realize the stocks that have been allocated, step up the effort to decentralize procurement and shipment to the republic of construction machines, machinery, and materials, jointly with supplier ministries examine and define solutions for all the remaining questions in balancing the outlined volume of production with material and technical resources, pay particular attention to strengthening resource conservation, conduct a policy of strictest conservation in all spheres of activity, and within 1 month complete the effort for conclusion of contracts for 1990 by subordinate enterprises and organizations.

10. ArSSR Gosagroprom, ArSSR Gosplan, the ArSSR Ministry of Trade, the board of Aykoop, and the ispolkoms of local soviets of people's deputies are to take immediate steps to improve the supply of food and industrial goods to the public, to organize uninterrupted supply of building materials to the disaster zone for construction of housing and normal everyday services to the public, and to guarantee unconditional fulfillment of decrees of the ArSSR Council of Ministers No 28, dated 27 January 1990 and entitled "On Fuller Satisfaction of the Need of the ArSSR Population for Paid Services," and No 49, dated 27 January 1990 and entitled "On Improving Supply to the Public of Armenian SSR in 1990."

11. The Yerevan Department of the Transcaucasus Railway (Comrade A.A. Kandilyan) and ministries and departments are to monitor more closely the promptness of loading and unloading of cars and beginning in March 1990 to bring the standing time of cars within the established standard allowance.

12. The ArSSR State Committee for Natural Conservation (Comrade G.V. Tardzhumanyan) and ArSSR Gosstroy (Comrade A.S. Aleksanyan) are within 1 month to submit to the ArSSR Council of Ministers a proposal on setting apart an area for construction of a site for neutralizing and burying toxic industrial waste.

13. ArSSR ministries and departments and enterprises and organizations under union jurisdiction located on the territory of the republic are within 1 month to examine the existence of above-allowance stocks of uninstalled equipment and take steps to put it to maximum use in carrying out the plan for 1990 and bring the remainder within the standard allowance by 1 October 1990.

ArSSR Gosplan (Comrade M.Ts. Mkrtchyan) and the ArSSR Ministry of Finance (Comrade Dzh.A. Dzhanovan) are to take into account the existence of above-allowance inventories in choosing a customer for capital investments to acquire equipment.

14. In connection with the continuing deportation of Armenian population from Azerbaijan SSR, the ArSSR State Committee for Reception and Accommodation of Returning Armenians (Comrade G.G. Azatyan), the ArSSR State Committee for Labor and Social Problems (Comrade I.Ya. Semenov), ArSSR Gosagroprom (Comrade N.K. Ayvazyan), and ispolkoms of local soviets of people's deputies are to pay closer attention to the living conditions and job placement of refugees, to organize their retraining if necessary and to provide proper employment.

15. The attention of ispolkoms of Yekhegnadzorskiy (chairman Comrade M.A. Dovlatyan) and Gorisskiy (Comrade A.A. Budagyan) rayons and the Artik (Comrade R.A. Vardanyan) and Oktemberyan (Comrade R.G. Melkonyan) City Soviets of People's Deputies is called to the unsatisfactory effort of a number of enterprises located in their jurisdiction and the intolerability of failure to fulfill plan for revenues of local budgets and the weakening of their revenue base.

16. Ispolkoms of city and rayon soviets of people's deputies and ArSSR ministries and departments, jointly with work collectives, enterprises, and organizations under union jurisdiction located within the republic:

a) are to develop an effort toward unconditional fulfillment of the targets of the State Plan for Economic and Social Development of Armenian SSR in 1990 and the revenues of the budget and for optimum use of budget resources;

b) are to consider it a task of the first order to carry out integrated measures for economic and financial recovery and broader use of economic methods in solving the problem of enterprises operating at a loss and low profitability;

c) are to reduce the number of projects under construction at the same time, to carry on capital construction financed mainly from enterprise's own resources and resources obtained from individuals and cooperatives;

d) are to conduct a universal campaign to combat losses, mismanagement, wastefulness, shortages, and theft by strengthening work discipline and production discipline.

17. The ArSSR Ministry of Finance, jointly with ministries and departments:

a) are in examining the results of financial-and-economic activity of enterprises and organizations in 1989 to analyze in detail the causes of nonperformance of obligations to the budget for each payer, to examine the need for budget appropriations for 1990 with a view to tightening the economy regime and preventing an increase of appropriations;

b) are to carry out specific measures to create a financial market in the republic in order to make up the budget deficit and obtain additional revenues to solve the problems of developing the production sphere and the social sphere;

c) are to improve the mechanism for putting economic pressure on the process of taxation and for attracting their money resources.

18. Ministries, departments, enterprises, and associations in the republic are to analyze their financial condition and that of subordinate organizations and within 1 month draft measures and take steps to repay on time credits issued by banks to cover financial gaps.

Republic banks are to inform the ArSSR Council of Ministers by 15 May 1990.

19. Ispolkoms of city and rayon soviets of people's deputies:

a) are to take a serious look at the operation of cooperatives operating on areas assigned to them. In registering newly created cooperatives, they are to carefully study the advisability of their type and their line of activity. They are to make an active effort to reconfigure and reorient existing cooperatives along various lines to the production of food, commodities, and services needed by the population of a given region and republic, supporting their activity in every way.

They are to constantly strengthen the commercial relationship of trade organizations with cooperatives with respect to marketing the products of cooperatives;

b) they are to conduct a more vigorous effort to sell apartments in the state and public housing stock to private individuals, with a view to completing this effort for the existing stock no later than 1991.

20. The Presidium of the ArSSR Council of Ministers, the staff of the republic's Council of Ministers, collegiums of ArSSR ministries and departments, heads of enterprises and organizations, and ispolkoms of local soviets of people's deputies are to step up the organizational effort and increase the accountability of personnel for fulfillment of state plans, orders, and assignments.

In their practical work, they are to pay more attention to organizing execution of decrees of the union government and the ArSSR Council of Ministers and their own

decisions, exploring widely and applying economic forms for management of production.

In view of the particular urgency of this question in the present stage of perestroika, they are to carry on a persistent effort to raise the level of discipline and personal responsibility for prompt fulfillment of assignments, orders, decisions, and work duties.

Armenian Gosplan Chairman on Economic Independence Concept

90440304B Yerevan KOMMUNIST in Russian
24 Mar 90 pp 1, 3

[Interview with Mikhail Tsolakovich Mkrtchyan, deputy chairman of the ArSSR Council of Ministers and chairman of the republic's gosplan, by Armenpress correspondent, date and place not given]

[Text] A year ago—in March 1989, a draft entitled "General Principles for Restructuring Management of the Economic and Social Sphere in the Union Republics on the Basis of Expansion of Their Sovereign Rights, Self-Government, and Self-Financing" was published in the press for nationwide discussion. The document drafted by union authorities calls for the transition of all republics to the new economic conditions beginning in 1991.

A draft of the conception of economic independence of Armenian SSR has also been worked out in the context of the fundamental decisions. Accordingly, a correspondent of Armenpress called upon M.Ts. Mkrtchyan, deputy chairman of the ArSSR Council of Ministers and chairman of the republic's gosplan, to familiarize readers with the basic principles of the conception and possible ways of implementing it.

[KOMMUNIST] Mikhail Tsolakovich! As chairman of the Commission for Improvement of the Economic Mechanism of the Armenian Council of Ministers, you have been directly involved with writing the draft of the conception. Please tell us what made it necessary to work out the draft of the conception of economic independence of Armenian SSR, and who took part in that work?

[Mkrtchyan] It needs to be said that discussion of the union decree in our republic aroused quite a bit of interest, a number of fundamental objections and proposals were made which we have summarized and sent to its authors. Unfortunately, however, our objections and proposals were not taken into account with very few exceptions.

The further destiny of the draft is unknown: after its examination in the USSR Supreme Soviet, it was sent back for more work. Among the most important deficiencies of the draft, note was taken of the unjustifiably detailed regulation of the activity of the union republics it calls for and restriction of their economic independence.

Those were the reasons that led us to draft our own conception. Our commission formed three scientific

groups of economic scientists of the Economics Institute of the ArSSR Academy of Sciences, the Scientific Research Institute for Economics and Planning of ArSSR Gosplan, Yerevan State University, and the Institute of the National Economy.

The final draft of the conception of the economic independence of Armenian SSR was worked out on the basis of alternative variants and in view of the results of their discussion.

The draft has already been published in the press, and it will undoubtedly arouse great interest among inhabitants of our republic. We expect to obtain approval of the basic and fundamental propositions of the conception on the basis of broad and interested discussion. There will, of course, be objections and proposals. They will be taken into account in the final editing of the conception and then it will be submitted for approval to the ArSSR Supreme Soviet.

[KOMMUNIST] Mikhail Tsolakovich, does it not seem to you that today, when the republic is in such a serious situation, it is premature to speak about its transition to regional cost accounting and economic independence?

[Mkrtchyan] As a matter of fact, the republic now is in an extremely difficult economic and psychological state. The disastrous earthquake, which took tens of thousands of human lives and a third of the republic's national wealth, has been added to the problems already posed for us by the period of stagnation. The situation was compounded still more by the reception and accommodation of hundreds of thousands of refugees from Azerbaijan and by the blockade organized by that neighboring republic.

In the extraordinary situation that has come about, appropriate measures that are also out of the ordinary are required. The republic's transition to functioning in the regime of economic independence is seen as one such measure. We see this as a most important condition for the republic to get out of the crisis situation, as a condition for exposing and realizing potential capabilities, for unleashing initiative, enterprise, and motivation of the population.

At the same time, a number of problems must be solved to bring about the system of economic relations envisaged in the conception.

First of all, there is the problem of rebuilding what was destroyed by the earthquake. It is clear that on its own the republic is unable to do this in a sufficiently short time and without bringing development to a halt in other areas. Funds to repair the earthquake damage must obviously be allocated mainly from the union budget, and outlays for these purposes must not be taken into account in determining the efficiency of operation of the republic's economy and correspondingly the size of funds to be left at its disposition.

The second problem is the refugees, providing them housing and work. Centralized funds are also needed for this purpose.

Third are the centralized funds needed to build new transportation routes, eliminating the possibility of Armenia's being blockaded by a neighboring republic.

In assessing the real capabilities for Armenia's transition to the new economic conditions, it needs to be said that beginning in 1974 the national income produced on the territory of the republic has regularly exceeded the national income consumed. In 1987, this difference was more than 480 million rubles.

This fact, taking into account that our losses from the earthquake and expenditures to accommodate the refugees will be compensated, and also assuming that guarantees will be given that will eliminate the blockade, allows us to speak about the existence of the general prerequisites for the republic's transition to self-support.

[KOMMUNIST] What are the basic initial principles of the conception?

[Mkrtyan] The conception envisages the existence in Armenian SSR of diverse forms of property, that these forms of property would have legal and economic equality, and also free choice of economic entities of the specific form of ownership within the limits established by the republic's legislation. The Supreme Soviet and local soviets, public organizations and cooperatives, citizen groups and individual citizens, union authorities, union republics, autonomous structures, their enterprises, and also foreign states, firms, and organizations and individual citizens—in short, all juridical persons, figure as owners of property.

The economic activity of owners of property is based on the principle of free enterprise.

Thus, equal opportunities are created for all entities regardless of the form of ownership, and the measure of economic efficiency, as evaluated by the market, becomes the main condition of their successful operation. All other economic relations in the conception are structured in accordance with this initial position.

Planning the activity of enterprises by specifically assigned directives is being abolished. The state regulates the activity of enterprises by legislating standards and through the system of state orders, and also mainly by means of economic instruments—pricing, taxation, credit policy, investment policy, and so on.

The system of budgets is the central link in relations between the republic and the Union. The conception envisages accumulation of all taxes in the republic and local budgets. Deductions to the union republic would be made out of the republic budget at a rate agreed on with the union authorities. The possibility of creating the republic's own currency is envisaged in the conception to

protect against inflationary processes occurring as a consequence of the excessive issuing of money in the country's other regions.

In short, the conception calls for creating a market mechanism in the republic that the state would regulate by means of economic levers.

[KOMMUNIST] It is well-known that market relations contain not only strong incentives for the growth of the volume of production and a rise in production efficiency, but also have another side that is not attractive at all.

How does the conception propose to neutralize or at least mitigate the adverse elements of a market economy?

[Mkrtyan] When the market mechanism is adopted in the republic, we will have to confront all its attributes—the market for labor and unemployment, competition and bankruptcy, free pricing and the rise of prices, inflation.

We cannot but take into account these serious and uncompromising realities that accompany the market. Creation of an entire system of social guarantees, including the indexing of the money income of persons with fixed incomes, adoption of benefits for temporary unemployment, creation of a state system for personnel to go through retraining and improve their qualifications, etc., is envisaged to offset them. The specific ways of solving these problems must be envisaged in laws drafted to implement the conception.

[KOMMUNIST] What role does the conception give to foreign economic relations, in particular to relations with the Armenian diaspora?

[Mkrtyan] The section of the conception devoted to foreign economic relations and relations with the Armenian diaspora is entirely based on the premise that the republic will be granted broad rights for independent decision of foreign economic issues and envisages creation of the necessary conditions for taking advantage of favorable opportunities that exist for Armenia in this area.

An important component of efforts for the republic's transition to the new economic conditions is the consistent conversion of enterprises to the principles of self-support with respect to foreign exchange. One of the main ways of achieving this goal is to create joint enterprises with foreign firms.

I would like to note that in spite of the favorable conditions that exist, the process of creating joint enterprises and developing foreign economic relations has not gone satisfactorily at all. One of the significant reasons for this is the lack of a single body that would coordinate all the republic's foreign economic activity. In this connection, the conception calls for creation of a committee for foreign economic relations.

[KOMMUNIST] Mikhail Tsolakovich, how would you estimate the possible time frame for realizing everything envisaged in the conception?

[Mkrchyan] It envisages a transitional period in which the necessary conditions and prerequisites must be brought about for the functioning of the mechanism of economic independence. One particular feature of the transitional period is that the necessary transformations must be accomplished under the conditions of centralized state planning and management when the republic has limited economic independence, and this will evoke a certain counteraction of the existing structures. That is why a specific body must be created in the republic's Council of Ministers that would be concerned with the transition of the economy to the new mechanism of economic independence.

There are three stages in the transitional period. During the first stage (up to 1991), the necessary legislative and normative-method documents are drafted. In the second stage (1991-1995), the new mechanism is introduced stage by stage.

In the third stage (up to the year 2000), a qualitatively new system of economic activity must be entirely created, synthesizing the principles of free enterprise and economic regulation through the state plan.

"I would like to note in conclusion," M.Ts. Mkrchyan said, "that the conception of the economic independence of Armenian SSR is a description of the ultimate state that is desired and to which we aspire. The process of bringing it about is a rather complicated affair, and how soon it will be brought about depends on our consistency and persistence."

Economic Grounds for Baltic Independence Refuted

904A0381A Moscow PRAVITELSTVENNYY VESTNIK
in Russian No 20, May 90 p 8

[Article by the Public Opinion Analysis Department of the newspaper PRAVITELSTVENNYY VESTNIK: "The Law Is Harsh? But It Is the Law! Once More About Economic Relations Between Union Republics"]

[Text] The country is waiting. The governmental program on shifting to a regulated market economy will be made public in the next few days. Its intention is already known: to reduce the transitional period as much as possible, accelerate the drafting and passage of new economic laws, and on this basis engage market levers, consistently expanding the sphere of their influence.

We will be frank: the very concept of the new governmental program is not perceived the same throughout society. Some leftist economists continue to reproach the government for its slowness, even without becoming acquainted with the contents of the documents, demanding not a transition but a leap to a market economy without any intermediate period. Others

express fears that implementation of the program will result in a sharp drop in the standard of living for many people and that the protective mechanism may turn out not to be very effective. We will see what happens. As they say, truth is born in arguments, and only a detailed discussion of the draft can give it an objective assessment. Pluralism of opinions has become the norm of our existence, and democratic consensus has become the method of solving pressing problems.

Unfortunately, there are people who by no means strive for this democratic method of solving problems and settling disputes. To please their political ambitions, they advance ridiculous slogans, inflame passions, play on the nationality and religious feelings of citizens, and try to counterpose the interests of the various population groups and cause them to clash. The result is not only increasing social tension in the society, but also a further destabilization of the economy and a worsening of the condition of the consumer market.

In particular, we cannot ignore the further increase in separatist sentiments in the Baltic republics. A graphic confirmation of this is the so-called Declaration of Independence of Latvia. It would seem that the example of another republic—the Lithuanian SSR—has already shown how disastrous hasty, extremist actions are. They are disastrous for the economy and the population of the republic itself. They are also extremely unfavorable for the other union republics. But no! Political ambitions once again overshadow economic expediency and common sense. Moreover, they flagrantly violate the democratic norms adopted in all civilized countries.

No one can deny the right of nations to self-determination. But, you see, we have a document regulating realization of such a right. It is the Law on the Procedure for Resolving Questions Associated with Secession of a Union Republic from the USSR. The law, in particular, contains a list of the most complicated questions subject to democratic settlement when a union republic secedes from the USSR.

The fate of objects of union-wide ownership (enterprises and complexes of base sectors of industry, space research, power engineering, communications, transportation, and so forth). Financial and credit settlements both with the union as a whole and with other union and autonomous republics. The procedure for fulfillment of contract obligations assumed earlier by enterprises and organizations of the seceding republic. The procedure of settlements with other states and international organizations for credits and loans received to satisfy the needs of this republic and its population. And many, many other things. Every unbiased person will confirm: the questions are quite legal and quite just.

Therefore, it makes sense to go back again to the problems of the economic relations among union republics. We will remind that this conversation began in the article "The Union Republics: Who Owes Whom?" by our columnist Yu. Rylov (PRAVITELSTVENNYY

VESTNIK No 5). What was the article about? Based on extensive statistical materials, the author showed that the economies of various regions of the country are a single national economic complex. Strong production ties and an interregional division of labor have developed here historically. At the same time, in the author's opinion, given the existing structure of prices in interregional trade, a number of republics, including the Baltic republics, have ended up in a more advantageous position than others. In addition, the policy of so-called equalizing the level of development of republics has also turned into considerable advantages for them at the expense of redistribution of centralized funds and "additional feedings" from the union budget. A conclusion followed from the cited figures (in particular, from the recalculation of product output at world prices): "Independence" of the Baltic republics will primarily hit their own economies badly.

And an official response to this article has been received from the Latvian SSR. The cover letter was signed by V. Bresis, chairman of the Council of Ministers; the response itself was signed by M. Raman, chairman of the republic Gosplan, and G. Baltynshe, chairman of the Goskomstat. (Today the three of them are former chairmen—Editor.) Also attached to the response was a copy of a letter to the USSR Council of Ministers "On Indicators of Economic Activities of the Union Republics."

We will begin with the main complaint against the article published in PRAVITELSTVENNYY VESTNIK, which is contained in the response by the committee chairmen of the Latvian SSR. In their view, the methods used in determining the mutual settlements between the republics and the center are erroneous. "One should bear in mind," the response states, "that the center itself does not create any physical assets or financial resources. They are created on the territories of the union republics. True, part of them are created by union-subordinate enterprises and organizations. However, these enterprises do not exist in an isolated space. They use the labor resources of the republics and use their social and production infrastructure. Therefore, it is quite strange to read a table in which the author cites the rate of growth of the 'republics' own revenue' and 'deductions from all-union revenue.' Here it must be said frankly that such a division of revenue is purely formal."

Well, we will not argue: It is a complete, accurate, and exhaustive response to the questions posed in the article "The Union Republics: Who Owes Whom?" The questions indeed require additional study. It is also possible that adjustments need to be made to the methodology of calculations adopted today. Indeed, data just on imports and exports of products are hardly sufficient for a complete assessment of the economic activities of the union republics; we also need consolidated financial balances. Apparently, we should have made the method of determining exports and imports more precise. It would not have been a problem also to take into account the value of scientific, design, construction, and other

services. However, such studies had not yet been made, and a more precise method does not exist.

The response claims that specialists of the USSR Gosplan and Goskomstat "admitted the fallaciousness of a number of methodical approaches in determining the mutual settlements between the republics and the center, and the need to make the corresponding methods more precise."

However, as we know, the USSR Gosplan did not give any assessment to the existing methods in mutual settlements between the republics and the center. Regarding the transition of union republics to principles of self-management and self-financing, it merely recognized the importance of this work and outlined the procedures for carrying it out with the involvement of the union republics themselves. Unfortunately, the USSR Gosplan did not receive any further concrete suggestions from Latvia.

That is how things stand with the methodology of calculations. Now let us turn to the other theses in the response. Its authors do not at all agree with the division of revenue into all-union and the union republics' own revenues. In their opinion, such a division is purely formal. However, in this case it is no longer a matter of a methodology of calculations that can be corrected and made more precise. It involves laws that have been passed, that exist, that are in effect, and that must be respected. We would remind you that Article 3 of the Law on the Fundamental of Economic Relations between the USSR and Union and Autonomous Republics, passed by the country's Supreme Soviet in April of this year, states: The USSR has the authority on all the territory of the country to collect national taxes, duties, and mandatory payments that are used completely or partially for forming the union budget. Thus, the division of revenues is not at all a formal, but a fundamental act that is backed up by legislation!

In analyzing the activities of union-subordinate enterprises on the territory of the Latvian SSR, the authors of the response also come to quite a strange conclusion. "Creation of new fixed assets at union-subordinate enterprises," they claim, "is accomplished not to satisfy the needs of the republic, but to increase production for other regions of the country." They allow me to ask: Why are production funds being created and developed in other regions of the country, including in those regions where the economic situation has sharply worsened? Why has oil extraction in Tyumen Oblast or ore mining in Kazakhstan been stepped up? Or does this have nothing to do with Latvia, and it does not receive raw materials, equipment, and component parts from other republics? It receives them, and then some! Perhaps we should still compensate the other republics for the expenditures for these purposes?

The response further states: "At the present time, 77 percent of the capital investments for production purposes are financed by the union-subordinate enterprises using the development fund and other of their own

stated. This is correct. But for "the present time." It should be the proportion of enterprises' own funds used for expanding production and social needs is an objective process associated with establishing cost accounting. And it is taking place in all regions of the country. This is not to say that "the present time" but a longer time period it must also be seen that centralized funds were the main source for developing the production base. Witness during the period from 1940 through 1987 the "central" output in the RSFSR increased 24-fold, it increased 52-fold in the Latvian SSR, 59-fold in the Estonian SSR, 80-fold in the Lithuanian SSR! What sort of "natural resources" do we have here!

Information in response avoids the question raised in the article concerning funds invested in development of the social sphere of the Latvian SSR. After all, it is also of considerable importance. Up to now a considerable part of these funds have been coming from centralized funds—above all from resources allocated directly from Latvian SFSR Council of Ministers. Is this not the reason for the striking difference in the social welfare of the republic's population, which ranks highest in the union for a number of corresponding indicators? To back up our statement, we will cite the following figures. In 1987, the average housing provision (in square meters) was 15.5 square meters in the RSFSR; 17.1 in the Lithuanian SSR; 18.9 in the Latvian SSR; and 20.8 in the Estonian SSR. But miraculously nothing does not happen, and it is hardly surprising that with limited resources, allocation of these funds to people cannot be done without detriments to the sphere.

The position of analysts about the "unorganized exports" goods from the republic by the population of republics outside also appears quite strange in this connection. According to their estimates, these exports amounted to 1.1 billion rubles in 1987. By some way they manage to determine the value of goods acquired by the population of the republic outside the republic—these 1.1 billion rubles. It is proposed to include the difference in the balance in the total balance of commodity exports. Why? Supposedly because the republic has 300 million organized export of goods by roughly the same amount. Strange calculations. How can anyone expect that which could have been instead of 1.1 billion rubles?

The same method is also used in the response to refute myses' theses in the article, "The Union Republics: Who Owes Whom?" Thus, it is assumed that an increase for raw material and power expenses will inevitably result in a corresponding increase in the value of finished products in whole of economy. Here the difference between the value of imported and exported products (as it applies to the Latvian SSR) evidently supposedly change very little.

On the other hand, prices raw materials and fuel imports—finished products are inexpensive." The argument is not quite debatable. If that is the

case, then many countries having developed industry and not possessing their own raw material and energy resources simply could not exist—for example, Japan and Singapore. The Latvian SSR, operating primarily on the all-union market, also can be included in this category of countries."

Yes, the article, "The Union Republics: Who Owes Whom?" also talked about this. It can exist marvelously as long as it operates on the all-union market. However, with all respect to the Latvian masters, it cannot yet operate on the world market, competing with Japan and Singapore. Neither on the technical level of products, nor on quality. And that is why the increase in prices for raw materials quoted on the world market cannot be equivalent to their increase for products intended only for the domestic market. In our opinion, this is shown quite convincingly in the article, in the table where products are calculated in world prices. A market is a market, and you cannot get away from its laws.

You also cannot get away from state laws. We would like to remind you again: The Law on the Procedure for Resolving Questions Associated with Secession of a Union Republic from the USSR has already been passed. And you can engage in polemics all you want in the press about the lack of perfection in calculation methods. But you are expected to act in full accordance with the law.

Creation of Baltic Development Bank Proposed

904A0372A Vilnius *ECHO LITVY* in Russian
12 May 90 p 2

[Article by V. Raudsepp, professor and head of the finance and credit department of Tartu University: "A Baltic Development Bank: The Idea and Need"]

[Text] Economic stagnation and even movement backward in the USSR are even more extensive than we imagine. Therefore, we need quick and effective measures to improve the economies of the three republics striving for independence—Estonia, Latvia, and Lithuania. One such measure could be the realization of the idea of creating a Baltic development bank.

I think a Baltic development bank should be a regional center for long-term crediting encompassing about 7.5-8 million residents. Other foreign states besides Estonia, Latvia, and Lithuania could be members of the bank. I believe it is also necessary to take this factor into account. Traditional ties exist between the Baltic republics and Finland, Denmark, Sweden, Norway, Canada, and the United States. These ties, it seems, would be strengthened not only by virtue of traditions, but also because more than a million people originally from Lithuania, Latvia, and Estonia live there. It is desirable to attract money namely from there to create banking funds.

The bank could begin operation already when it has \$2 billion, which for the most part should go into the subsidies fund for providing technical assistance. Thus,

it would coordinate the development of the economies of Estonia, Latvia, and Lithuania by financing projects in industry, agriculture, health, education, and so forth and promote cooperation with the United Nations and other international organizations.

It seems to me that priority should be given not so much to granting credit to countries as to granting long-term preferential credit to businessmen. Despite the fact that creating a Baltic development bank is only an idea, within its framework we can resolve various practical problems. We must begin with returning dignity to wealth and prosperity and at a given moment with a transition from "cheap poverty" to "rich poverty." In essence, this means considering the effect of the law of value, in other words, determining the true value of goods and services in conditions of a high living wage. Let the average monthly wage rise even to 1,500-2,000 rubles, but in doing so we must pay for everything according to its value, beginning with healthy, clean food, a home with all the modern conveniences, and so forth, and ending with a secure future for oneself, in the event of old age or disability, and for one's children.

With the receipt of high wages, we will not begin living better right away, but pay according to labor and then regulation of money circulation will, above all, put our value assessments in order. Of course, it will be very difficult for the government, the Ministry of Economics, and the price, statistical, financial, and other systems to make this change, but we nevertheless must begin preparation. Let us explain at least the economic and theoretical tenets. Now, for example, if Estonia were to be integrated into the world economy with its present "cheap poverty," a total disaster awaits it.

It is expected that the central banks of Estonia, Latvia, and Lithuania will begin work by the end of the year. The presidents, prime ministers, and presidents of the central banks of these states should form the nucleus of the Baltic development bank (that is, part of the council of managers). The headquarters of the development bank could be located in Vilnius, Riga, or Tallinn, and the president of the bank could be reelected every two years, alternately representing Estonia, Latvia, and Lithuania. We should have to discuss purely technical issues of bank operation, but it is clear that crediting should be organized on a commercial basis taking into account the international average interest rates, for example, 9-11 percent with a repayment period of 10-15 years. Loans could be granted with a 3-5 year preferential term during which it is not necessary to repay the debt. In addition, the bank could execute transactions in the currency market of developed countries.

The developed industrial countries of the world associate their success with the development of banking. Therefore, we also should discuss and consider every idea associated with banking activities and that pursues the goal of improving the economies of the Baltic republics.

Banks' Role in Estonian Economic Development Examined

904A0308A Tallinn SOVETSKAYA ESTONIYA
in Russian 4 Apr 90 p 2

[Article by Doctor of Economic Sciences V. Raudsepp: "New Banks in Estonia's Economy"]

[Text] Economically developed countries associate their successes with development of banking affairs. This is understandable, since, after all, the rate of turnover of the assets of enterprises and credit and financial relations both within a given sector and in relation to the world economy depend directly on the flexibility of banking operations. The faster money circulates, the more products, services and goods there are per monetary unit (ruble, dollar, mark etc.). Consequently, intensity and flexibility are the basis of economic success.

Unfortunately, because of a swollen bureaucratic apparatus, numerous prescriptions and imperfect labor organization, the USSR's banking system does not satisfy modern requirements today. The enterprises are no longer satisfied with imperfect and slow services in the area of accounts and loans. This is why they are so happy to utilize the services of a commercial bank, even though this might cost them more. And this is also understandable: Banking operations cannot advance in the direction of improvement if banks have no competitors—small but efficiently operating banks.

The first commercial bank in Estonia and the USSR was created in Tartu over a year ago. An intense effort is now being made to create new banks, but unfortunately when it comes to the suitability of their formation and location, a strategy that would account for the conditions in Estonia is absent. This strategy must be based on a detailed examination of the economic activities of districts, cities, volosts and so on—so-called structural analysis. There are some difficulties in this area, but the goal—a full transition to commercial banking—must be clearly documented in the republic's Law on Banks.

And so, banking affairs will be organized in Estonia by the Bank of Estonia. The president and charter of this bank have already been approved, but the orientations of its work are not yet clear. Nor is it clear what sort of mutual relations the Bank of Estonia will maintain with Moscow, or how movement of resources will be organized for the purposes of loan management between Moscow and Tallinn. Despite these difficulties, the orientations of the work of banks aimed at satisfying the needs of the district, the city and the volost need to be delineated. Principal among these directions are:

- introducing currency accounts and conducting international operations; cash account services for clients;
- creating a local money and loan market; the purchase and sale of foreign currency by enterprises and the population; monetary exchange operations.

- attraction of the population's savings into local money circulation (loans, investments and so on supported by deposits);
- creating local reserve funds supporting entrepreneurship;
- competition between banks on the basis of efficient and flexible client services; commerce in banking operations (interest in loan interest, in dividends etc.);
- mediation and consultation services.

An orientation toward the West is coming about, owing to cooperation in the productive sphere and in the services sphere (joint ventures for example), which is why carrying out currency exchange operations locally is unavoidable. Moreover, the bank itself decides what volume of loan resources it is to mobilize, under what terms (for what loan interest), and to whom the loans are to be granted. At the same time, the possessor of money has a right to select the bank in which he wishes to deposit his money or from which he wishes to request a loan. The possibilities for this are granted by banks competing in providing the best services to clients. Competition is merciless, which is why reserve funds must be created in order to avert failures—that is enterprise should encourage the businessman, while failure should not lead him to suicide. This must be accounted for as well.

And finally. District banks must begin preparing for work under the conditions of commodity-money relations and a market economy right now. There is a very great need for the experience of both our and foreign commercial banks (especially of Northern Europe). Thus far the Bank of Finland has helped us more than all the rest. The life of bank workers is now becoming more complex, more difficult, but things are difficult for everyone under the conditions of the IME [Self-Managing Estonia].

Tallinn Plant Director on Industry, Production Under IME

904A0308B Tallinn MOLODEZH ESTONII in Russian
23 Mar 90 p 2

[Interview with A. Moroz, director, Tallinn Machine Building Plant imeni I. Lauristin, by V. Tsion (ETA): "Much Talk, Little Specific Action"]

[Text] I have had several occasions in recent times to meet with executives of union-subordinated enterprises and talk with them about the features of working under the conditions of regional cost accounting. While last year the topic of discussion was naturally the prospects of activity within the framework of the new economic mechanism, the present topic is the specific changes brought about by the IME [Self-Managing Estonia] in production operations entrusted to it.

The picture I have evolved in my mind concerning this issue is quite clear. All directors without exception

complain of particular imperfections, while at the same time practically nowhere does republic cost accounting elicit any doubts as the overall strategy of Estonia's economic development.

My interview with A. Moroz, director of the Tallinn Machine Building Plant imeni I. Lauristin, was no exception. Here is my record of it.

[Tsion] My first question to you, Aleksey Stepanovich, will go like this: What does republic cost accounting mean to your plant as an economic unit and to its collective as a social unit, and what do you see as your enterprise's place in the IME?

[Moroz] I can't give you an answer to that at this time. There simply are many things which have not yet been fully resolved. I will say only that we are fulfilling, and will continue to fulfill, everything that depends upon us in the aspect of our obligations before the republic. But we are impatiently awaiting the time when laws regulating our mutual relations at all levels—with the republic, with the union ministry, with the city, with the rayon, and so on—are finally written. Therefore I can't say anything specific at the moment about the immediate future.

I myself participated in the writing of the IME program—several directors were included in the group of developers. Therefore I generally support regional cost accounting and its economic strategy, but I would want to urge the government of the republic to make haste in finalizing the regulations. This is not only my wish but also that of many other enterprise executives. This is something being said by plant and association directors at meetings with the government, though of course they are not always hopeful that their thoughts would be met with understanding by the republic's leadership. There is only one thing that I can say categorically for the moment: There is too much talk about the IME, and too little specific action.

What we are basically offered is transfer to the jurisdiction of the republic. We wouldn't be against such a thing, but when you begin to delve into this issue, you find that no one can give us any specific, sensible answers. Moreover, some of us directors harbor some reservations—it is still not clear for example what "transfer to the jurisdiction of the republic" means from a legal standpoint. But analyzing our future in the plant's departments and services, we see our future unconditionally within the framework of subordination to the republic—their is obviously no other way to work under the conditions of the new economic mechanism. Consequently, I view the present situation as a period of transition. I would of course have difficulty saying how much time it will take—a year, two, more or less.... But whatever the case, we must have a precise understanding of our mutual relations, as they are expressed in the laws, which could serve as guidelines for our activities.

Our machine building plant is something the republic needs—there is no debate on that score. After all, we

already supply Estonia with cast steel and with non-standard equipment. For example, we are presently working on an order for a silicate plant: As a result, scarce brick will be made available to the republic and to our plant. We fill orders from the agroindustrial complex—plows, cultivators and other equipment. The program of assistance to rural laborers drawn up by the plant is presently intended for a three-year period. This is the channel in which we are working today, in which we are building our future. That is, we are turning more attention to the needs of the regions, possibly at the cost of reducing output of our main product—air-cooling equipment. Naturally, this transition should proceed gradually, on the basis of the laws of economics, and not in a single swipe, as many would want. Changing the profile of a specialized plant over a brief period is an unrealistic task. Moreover, our plant produces a unique product: No other enterprise in the country produces high pressure air-cooling equipment. This is why a state approach must be taken to the problem of changing the plant's profile.

As far as the advantages, the profit indicators, are concerned, the plant is highly profitable in this respect. Therefore, despite the fact that we are subordinated for the moment to the USSR Ministry of Heavy Machine Building, we are not a burden to the republic. And in the future we are thinking about developing our export ties. Meaning that when the discussion turns to the first steps of the IME, we can at least assert that some accomplishments have been made—minimal perhaps, but real.

[Tsion] Aleksey Stepanovich, what is it that is specifically lacking today in terms of legal support to regional cost accounting? It was my understanding that many problems stem from the absence of normative acts regulating the dimensions of deductions into the state budget, to the union ministry, to the city and so on.

[Moroz] We have been working on the basis of the cost accounting model for several years already. And the standards are not so much a concern to us today. We know what our profit is, how it is distributed among the different funds, and what remains with us. Something else troubles us. Take for example the government decree on leasing. It would seem to be a good thing. In particular, it states that prior to the first of January (1990).—V. Ts.) the union republics must draw up normative documents regulating the directions of transition of enterprises to leasing relations. We know that under leasing, the labor collective is entitled to dispose of all three funds existing at the enterprise today at its own discretion. But there is no answer in the republic to the questions as to what the mechanism of transition is, and how the leasing relations themselves are to be established. And this is a misfortune not just in Estonia alone—many republics find themselves lacking the time to solve the particular problems owing to the "unending fever of daily work." We need a document on the basis of which the economics of a transition to leasing, should a plant collective have such an intention, could be calculated. This is just one of the examples.

[Tsion] I understand. And what are your relations with the union ministry like right now?

[Moroz] Normal. Our life goes on like it did before.

[Tsion] But it was relatively recently, after all, that the USSR Council of Ministers published its ukase changing the subordination of a number of Estonia's union enterprises....

[Moroz] Yes, there are three lists of enterprises there. Our plant is not on any one of them. The Ilmarine Plant, the Talleks Association and others are among the large production operations that have been subordinated to the republic. Our labor collective decided to remain subordinated to the ministry for the time being, while their collectives decided differently. I think that this is why there was support from the central authorities. What does the future hold? Well, if the republic petitions the USSR Council of Ministers and the country's government decides to transfer all union enterprises to Estonia, we will not raise any opposition. A decision is a decision. But we will be frank—we do experience real assistance from the ministry. It is wealthy, and it was only owing to it that last year we received some extremely unique imported equipment for a million and a half in hard currency. Such was the importance the Ministry of Heavy Machine Building attached to our products.

[Tsion] I would like to have your personal opinion: Would it be suitable to subordinate the plant to the republic, or would this do little to change the enterprise's fate?

[Moroz] Until such time that our mutual relations are resolved at all levels, such a transition would be unsuitable. Many paint a beautiful picture today: Come under the republic's wing, and your social problems will be solved, you will build, and you will expand.... But no. For the moment this is only talk. It is with one's labor that all blessings must be attained. The issue is in fact a serious one, and a delicate one, if you wish. I want to be sure that I am understood correctly. We are not categorically against the transition, but let's not go into a lather, let's not be too hasty. Let's first put everything in its proper place, and sensibly think out the situation, and then go over to the jurisdiction of the republic, though as I said earlier, no one knows for certain what this term "transfer to the jurisdiction" means in legal respects. I seem to recall some explanations given from above, but we businessmen, the practical workers, understand these things in our own way.

[Tsion] Are you trying to say that there is the danger that a union bureaucracy will be substituted by a republic bureaucracy, and that you will continue to not feel yourself to be an independent enterprise, free of anyone's influence?

[Moroz] Yes, the course we are following at the moment is this: The collective expressed a desire to join an all-union gas concern. In this case the concern is a group

of independent enterprises. We sense a certain amount of freedom in signing contracts and resolving other matters.

[Tsion] Recently, in my interviews with executives of many republic enterprises on the peculiarities of working under the conditions of the IME, I was told several times what sort of social changes their collectives were expecting. But almost no one said anything about how big an increase there will be in the manufacture of products needed so much by the republic and the country. I am referring primarily to consumer goods. About how much their quality will improve, and whether or not they will appear in a sufficient quantity on our store shelves. That is, whether or not we, the ordinary consumers and residents of Estonia, will sense a benefit from republic cost accounting. As far as your plant is concerned, I know that the volume of products you call consumer goods is rather high. What can you say about the prospects of this important direction of work in connection with the transition to the IME?

[Moroz] Well, this year we will reach a coveted goal—the volume of consumer goods production will come up to the level of the plant's wage fund. You might remember some time ago when this challenge was raised. This goal has been the ultimate dream of many enterprises, but not all have been able to reach it. We were more successful. And perhaps life has compelled us to work in this direction. I feel that this is of primary importance today, no matter how much we might talk about the significance of our principal product. And there is enormous latitude for activity for all of us laborers of union enterprises. It is in this area that further transfer of enterprises into the fold of the republic will have a positive effect. Intrarepublic and intracity cooperation of enterprises may be initiated. We already have some thoughts and plans on to how to widen and improve the quality of goods for people, and interesting ideas are circulating. But what we do not have at the moment is a coordinating organ capable of managing this effort. It would be all the more important because many union enterprises belong to different departments. Such that consumer goods production is at the moment the principal argument in favor of subordinating all union plants and associations to the republic. And I believe that the prospects here are very rich.

[Tsion] But couldn't the presidium of the OSTK [United Council of Labor Collectives] assume the functions of coordinator of this effort? After all, as far as I recall, the program of this public movement said something about developing consumer goods production at union-subordinated enterprises with regard for the needs of the republic's residents....

[Moroz] Practically every union enterprise is involved in this effort now, but not in a coordinated way, unfortunately. Every collective is going its own way. And in the meantime there are problems which can be solved only by working together, through cooperation. This will happen sooner or later.

[Tsion] Sooner would be better, of course! At any rate, one last question, if you have no objections: What would you wish for your enterprise in the current year? Is something perhaps keeping you from working rhythmically and well, might you need some sort of assistance from the republic's leadership?

[Moroz] Well, an extremely complex situation evolved this year in the supply area. In particular, the republic was relieved of 1,600 tons of aluminum, 1,200 tons of which were supposed to go to our plant. This can mean the failure of the delivery of 8 million rubles' worth of air-cooling equipment (aluminum is our primary raw material for air-cooling equipment and for some consumer goods). This means reducing production volume, and correspondingly the number of people we employ, or solving the problem in some other way. Neither Rapoport's department nor the USSR Ministry of Heavy Machine Building is in a position to help us. What happened was simply that some official in the USSR Gosnab decided that Estonia was receiving too much aluminum, without making the effort to see what it is used for, for what purposes. And so they "confiscated" the 1,600 tons. But they forgot, or wished not to remember, that our equipment is awaited by new facilities of the country's oil and gas complex.

[Tsion] But what if you were to reach the central newspapers through TASS, and demand a review of the wrong decision by officials of the USSR Gosnab? Could this help?

[Moroz] Perhaps. In any case there would be value in trying, if you do in fact have such a possibility. Because I've already visited the USSR Gosplan, and Gosnab, but to no avail....

[Tsion] (Dear Aleksey Stepanovich, I sent an article titled "A Bureaucratic Backhand" to the main editorial office of union information at TASS on Monday, 12 March. My associates in Moscow promised to analyze the problem and forward the article to the central newspapers. We'll see what happens.)

Otsason on Conversion of Rubles to Estonian Kroons

904A0300A Tallinn SOVETSKAYA ESTONIYA
in Russian 18 Mar 90 p 3

[Interview with Reyn Otsason by L. Sher: "What To Do With Savings?"; date and place not given]

[Text] The talks about the transition to our own currency—these are no longer just talks, but concrete steps along this path—have evoked alarm among many people: What will be with their savings, which sometimes have been accumulated during many decades of hard labor. Will they go to the dogs? This alarm contained in numerous readers' letters prompted me to ask the man most competent in this area—Doctor of Economic Sciences Reyn Otsason, President of the Bank of Estonia—several questions.

[Correspondent] Now, in connection with the forthcoming exchange of money, the most different opinions are expressed; for example, that deposits should be urgently withdrawn from the savings bank, that it is better to keep money in a "stocking," and so forth. What do you advise?

[Otsason] You are asking me these questions, but, to be honest, I myself do not yet know the answers to many questions, because the decision on how to carry out the money exchange will be made by the board after a careful analysis of all aspects. I think that this will happen during the second half of the year. I can express only my own personal point of view, but I cannot guarantee its 100-percent truth.

A great deal depends on the procedure of exchange of rubles into kroons that will be established. For now the Bank of Estonia has not even worked out a plan for the exchange. It will be possible to develop it only after many factors are determined, including the following: What relations will be formed with the USSR? What will be the real state of the ruble at that time? And so forth. However, we have already clearly determined two basic principles: All money honestly earned by the republic's residents will be exchanged without fail. On the other hand, we have no right to allow a situation where a flow of inflationary rubles gushes into Estonia from outside its borders and is exchanged for the new currency. If this happens, later all of us will have great difficulties with the creation of commodity coverage for this money. I have also received many letters and in most of them these two principles have received full support. The question is: How to do this? Here everything will depend on our ability. It should be taken into consideration that the influx of rubles is, or can be, manifested in different forms. For example, by transferring money to relatives or acquaintances in Estonia with the request to exchange it. Or by opening accounts in one's name or in the names of the same relatives and acquaintances—residents of our republic—in Estonia's savings bank institutions. Both of these threats increase now, as the exchange draws near. We have already received many proposals on how to avoid this, but we will be pleased with any proposed alternatives in order to be able to choose as

widely as possible the only correct one, which will make it possible to avoid serious damage both to the interests of every resident and to state interests.

Of course, right now it is possible to some extent to imagine how, on the basis of these two principles, the procedure of money exchange can look. Concerning deposits kept in savings banks for a long time, for example, prior to 1 January of this year it can be stated with confidence that they are not the result of an artificial migration of funds from outside Estonia. The regime of their exchange will be the most favorable. The second question that arises is as follows: What will be with the available cash? Here I will not be bold to state something categorically. However, it is clear that we will have to take into account all the circumstances in order not to do damage to the republic's residents. How we are to do this is the topic of long collective thoughts. Therefore, whoever is able to use this money for the purchase of goods, or to invest it in real estate—I would do this. This is safer. Of course, this money can be put in a savings bank. Personally, I do not see a political possibility that under any conditions State Bank institutions could refuse to pay these deposits in rubles.

Nor is the placement of money in commercial banks ruled out. The opportunity of investing money in joint-stock companies will open up.

[Correspondent] Perhaps, however, not everyone will want to change rubles for kroons. Some people may decide to keep ruble reserves in order to use them in the USSR and even to leave Estonia completely. Will their ruble accumulations be kept after the transition to kroons in Estonia?

[Otsason] I think that the decision will be such that everyone will be able to keep his ruble account. This is even advantageous for Estonia—fewer rubles will have to be exchanged for kroons. So, it is to be assumed that no one will hamper this, especially as people should have the right to use honestly earned money at their discretion. Of course, even when Estonia acquires the status of an independent state, tourist trips, trips to relatives, and other communication with the USSR should not stop suddenly.

AGRO-ECONOMICS, POLICY, ORGANIZATION

Peasant Representation Requires Own Party

904B0145A Moscow LITERATURNAYA GAZETA
in Russian No 8, 21 Feb 90 p 12

[Article by Vasiliy Uzun, Doctor of Economic Sciences:
"Why Do the Peasants Need Their Own Party?"]

[Text] Our peasantry has developed a twofold attitude. "Rural" literature has created a certain ideal image of a morally pure man who loves work and nature. Irrigating the land with the sweat from his brow, he raises grain for himself and feeds the city and, when necessary, he defends the homeland in the manner of our Russian heroes.

In real life, there is a completely different attitude towards a rural resident. The desire to obtain as much as possible from the countryside and to provide it with as little as possible—in the final analysis, is this not really exploitation of the countryside by the cities?

Thus it has been and, unfortunately, it still is. In 1913, the annual meat consumption in cities amounted to 70 kilograms per individual and in rural areas—less than 20. It bears mentioning that publications appeared in the periodic press which cited data on meat consumption in certain cities during the year 1913: in Voronezh—147.7 kilograms and in Vladimir and Vologda—107.5 kilograms. But for one reason or another, the authors failed to note that in these provinces the rural population, which included more than 98 percent of the residents, consumed 4-7 kilograms of meat per capita. The cities simply plundered the countryside and, as a result, lived quite well.

Following the revolution, the material status of city and rural residents began to level off. However, during collectivization the differences between the cities and countryside once again became aggravated. And today the food ration for a rural resident is more scanty and less balanced. Compared to that for city-dwellers, it contains less meat by 10 kilograms, milk—by 60, and fish—less by 8 kilograms. On the other hand, rural residents annually consume more bread and potatoes per individual. In some republics, these differences are simply incredible. For example, meat consumption by kolkhoz families in the Uzbek SSR amounts to only 7.5 kilograms annually per individual; in the Tajik SSR—13, and in the families of manual and office workers it is greater by a factor of 3-5.

In 1988, the average earnings for industrial workers was 241 rubles, for sovkhoz workers—212, and the salary for kolkhoz members—182 rubles. The pension for a kolkhoz member was almost two times lower than that for a manual or office worker. He receives 20 rubles less from the public consumption funds than does an industrial worker.

Last year, approximately 90 billion rubles' worth of food subsidies were allocated from the budget. It is known that the population pays taxes for these subsidies in accordance with unified rules and receives very unequal portions from the common pot. With rare exception, the residents of villages, settlements and small cities are deprived of an opportunity to obtain meat and dairy products at state prices. Such products are offered to them at cooperative or market prices, which are excessively high at the present time. In connection with the growth in purchase prices for agricultural products as kolkhozes and sovkhozes convert over to complete cost accounting and self-financing, the difference between the market and state retail price will become even greater.

There is a very widespread opinion that a rural resident can (many insist they are obligated) produce food goods for themselves on a private plot and that such goods will be very cheap. A great delusion! Even if he succeeds in purchasing feed at the state purchase price, the cost of one kilogram of pork raised at home will be considerably higher than the state price.

Approximately 25 billion rubles annually are being furnished from the state budget for housing construction. Less than one tenth of this amount is being made available for rural residents. The level of civic improvements for rural populated points is considerably lower than that for cities. The capital repair of an apartment in a city is carried out free of charge and in rural areas, as studies have shown, assistance in carrying out repair work, even among pensioners, is being received only by 9 percent of those in need. Pre-school institutes and medicine—everything in the rural areas is worse and lower than in cities.

The statement by the people's deputies and also the address by the "peasant fraction" before the 1st Congress of People's Deputies, provide many additional examples of infringement of the interests of peasants

But it is not only the material status of a rural individual that is arousing alarm. In particular, the political interests of the peasantry have been violated frequently and crudely during sharp turns in our history. During the period of "military communism," which did not yield the surplus-appropriation system, the peasant was oppressed with the aid of a regular and special food army. Millions of lives were lost during the years of collectivization. And following the "victory" of socialism, the peasants found themselves to be in a condition of the lowest type that did not last long. They were denied they entitled to the access to economic and cultural others. For a quarter of a century after the formation of kolkhozes and it was only in the last few years that the countryside was finally freed.

I believe that the absence of one major element in political organizations' responsible organization of the economic and political interests of the countryside plays a role in this regard. As the advanced socialist working class, the communist party fully realizes that the

interests of this class. The administrative system, despite its separation from the people, responded, albeit weakly, to the dissatisfaction of the municipal population. And the interests of the alienated rural population were ignored or trampled upon.

The majority of countries throughout the world have organizations which represent the interests of the peasantry. During the initial post-revolutionary years, a Peasant Internationale (1923-1933), which united these organizations, was even created. It published its own journal. In 1925, an International Agrarian Institute was created attached to the Internationale.

In a number of socialist countries, political parties for the working peasantry have been created and are working in concert with the communists. The Democratic Party of Germany functions in the GDR, in the NRB [People's Republic of Bulgaria], in Poland—the United Peasant Party, and in the KNR [People's Republic of China]—the Peasant-Worker Democratic Party of China.

In capitalist countries, in addition to political parties, there are also national associations (unions) of farmers which defend the interests of the peasants and which, as a rule, have their own lobbies in the government.

A peasant party is needed in our country. This was the subject of a discussion during a constituent congress of the Association of Peasant Farms and Agricultural Cooperatives in Russia. The creation of such a party would become an additional political guarantee for the need for restructuring our agrarian policies. One of its most important tasks—that of fighting for the political rehabilitation of the peasantry. It could consist of two directions. First of all, rehabilitation of the peasants who have been repressed throughout all the years of Soviet rule. People were repressed under various pretexts: refusal to turn over products that were produced, because they bore the label of "kulak henchman," for refusing to join a kolkhoz, for underpayment of taxes and for many other "offenses." Fairness must be restored such that the peasant farms being established today will be assured that they will not be ranked among the kulaks tomorrow.

Secondly, we must campaign for the rehabilitation of the peasantry as a class. Notions have developed concerning it that would have us believe it is a dark mass which does not even correspond to capitalism and on the body of socialism it is a type of rudiment which we inherited from feudalism. The theory according to which the peasantry encourages capitalism and the bourgeoisie on a daily and hourly basis and also on a large scale has turned out to be false. The prediction concerning the capitalist path of development for rural areas and their demoralization by rural capitalists and hired workers has not been justified. Our country cannot be used as an example for proving this thesis, since the fear of restoring capitalism at one time led to the elimination not only of the kulak system but also to the expropriation of all

peasantry. These processes were not noted in Finland, which separated from Russia in 1918. However, today its agriculture is by no means being supported by hired workers, but rather by farmers and the members of their families, who constitute 96 percent of all of the workers. The permanent hired work force in agriculture in Finland—only approximately 6 percent.

A peasant party could have undertaken to protect the decision for a basic problem of agrarian policy—the land question. It is known that K. Marx and F. Engels, in the party's Communist Manifesto, called for the expropriation of land ownership. This task was formulated in roughly the same manner in the bolshevik programs.

V.I. Lenin, in his work entitled "Agrarian Program of the Social Democracy During the First Russian Revolution of 1905-1907," written at the end of 1907, proved the idea of land municipalization (turning it over to the local organs of authority). However, during the April All-Russian Party Conference in 1917, the bolsheviks adopted a slogan calling for the confiscation of land and for it to be turned over to the peasants immediately. As a result, the peasants supported the bolsheviks in the revolution. The Decree on Land and its practical implementation in regions where Soviet authority had triumphed, promoted beyond any doubt the triumphant proceedings of October throughout the entire country. The actual expropriation of land in the late 1920's inflicted irreparable harm on the countryside.

The initial steps taken towards the revival of the peasantry were taken during the March (1989) Plenum of the CPSU Central Committee. However, there is every reason to assume that this policy will hardly be carried out in a consistent manner. Indeed, a considerable number of the communists upon whom the solution of this problem is dependent oppose the transfer of land to the peasants based upon ideological considerations.

An analysis of the agrarian reforms carried out in the past in our country and other countries reveals that they produce the greatest effect at those times when a peasant obtains land as his own property. Reliance upon the use of hired workers in agriculture is impossible. Experience accumulated at various times and among different people teaches us that land ownership is a reliable economic method for retaining people in rural areas. In the absence of land ownership, people can be so retained for an extended period of time only by means of non-economic enslavement. If we lack both ownership incentive and non-economic coercion—the rural areas will become deserted.

The party under discussion would have studied more thoroughly the question of peasant farms and it would have fought for allowing them to leave their kolkhozes and sovkhozes with a portion of land and with the fixed capital (in a natural or cost expression) accumulated during their period of work on a public farm. The creation of voluntary cooperatives would have focused the attention of society on conflicts in these affairs.

An acute political question—the ownership of products produced. Peasants have never recognized the arguments of theoreticians which hold that work performed under socialism is directly social in nature and thus the products obtained belong to society. During the initial years of Soviet rule, when an individual was required to turn over almost all that he produced, he would reach for his rifle. Even at the beginning of kolkhoz life, the members of an artel at times protected everything raised by an entire village against zealous procurement specialists.

For many decades in a row now, the CPSU has regularly handed down a decision calling for greater independence for the kolkhozes and sovkhozes. But before the ink on the documents even had time to dry, instructions would be issued calling for their rejection.

The Law on Cooperation in the USSR was adopted in 1988. This law authorized kolkhozes to select their production structure, to handle their own products and to sell them at their own discretion in accordance with the prevailing market prices. But actually, just as in the past, the plan and prices were determined at a higher level. And no guilty parties could be found.

Not one party committee secretary was seriously punished for violating the laws and decrees governing the independence of kolkhozes and sovkhozes. But tens of thousands of farm leaders and specialists lost their jobs and some were subjected to criminal punishment for having violated the instructions and directions issued by a higher staff.

Having only just joined together, the peasants can now defend their own interests. It must not be hoped that this will make officials for them or even a special Committee for Agricultural Problems attached to the USSR Supreme Soviet. This task can be carried out only by the millions of rural inhabitants who have been aroused to take part actively in their social and political life.

The peasant party should fight for equality in all forms of management in the rural areas. The communists also declare this to be their slogan and yet they are unable to carry it out owing to their excessive love for state enterprises, considerably less love for cooperative enterprises and complete hostility towards private enterprises. Even the word itself is being replaced by personal, individual and others. The process of levelling off the purchase prices for agricultural products has been underway for decades. As soon as this was strengthened legislatively, they thought up new loopholes. In 1988, for one ton of milk of equal quality, the state paid sovkhozes in the RSFSR 675 rubles, kolkhozes—610, and the population—352 rubles. On many farms, milk is purchased from the population at a price that is 2-5 times less than that in use of public farms. Substantial differences exist between various sectors of the economy in terms of the prices for resources, taxation, obtaining state capital investments, allowances, grants and others.

A "peasant faction" was formed during the 1st Congress of people's deputies. Our press is presently writing about it in just this fashion, in quotes. Peasant factions with no quotes can be created by deputies from the peasant party in the USSR Supreme Soviet, union republics and local soviets. They would carry out the elections of the first leaders in the country, republics, oblasts and rayons from alternative candidacies, they would require more thorough discussion of each candidacy and they would promote their own representatives for the management of the various ministries and departments. It is completely obvious that the peasant deputies, during the Congress and Supreme Soviet, would vote against plans and legislation that infringes upon the interests of the rural population, make inquiries of the government concerning the more important problems affecting their lives and they would turn to the Committee on Constitutional Supervision regarding general violations of the principle of voluntariness. Under these conditions, there would be a complete change in the working atmosphere of the country's highest legislative organ.

The peasant party, with its own independent press organs and while struggling to gain authority, would thoroughly analyze the actions of the CPSU. This would force the CPSU to listen to public opinion in a more mobile, efficient and attentive manner. Why did the Bolsheviks carry out 13 party congresses and conferences during the period of revolutionary changes in 1917-1922 and yet during the years of the present perestroika, with the situation changing very rapidly, only one congress and one conference have been conducted over a period of 5 years?

A monopoly on authority encourages a tremendous number of vices to a greater degree than does any other type of monopoly. Today this fact can be negated only by closing our eyes to our history.

Can the CPSU solve all of the problems mentioned above within the framework of a one-party system? If the communists create family peasant farms, will they continue to be Marxist-type farms? Indeed, in the process they would have to reject the principal program requirements set forth by K. Marx and F. Engels in the Communist Party Manifesto. Some of them are recalled: destruction of private ownership; expropriation of land property; abolition of the right of inheritance; exclusively state banking monopoly; centralization of all transport in the hands of the state; establishment of industrial armies, especially for farming; public and free food for all children. Is it necessary to retain in the one party both those who are dedicated to believing in these principles and those who believe that only by means of ownership, especially of the tools of production, will an individual be able to develop in a normal manner?

The present stage in pluralism, not only in opinions but also in the forms of ownership and managerial methods, is bringing about a differentiation of interests among individual groups of the population throughout the country. In some of them (for example, societies of those

who believe), there are no CPSU members. It is very difficult to express and defend their interests while glancing off to the side. The only wise solution—a multiple party system.

Our country has started its agrarian reform. The carrying out of this program is of decisive importance with regard to the restructuring of the entire economy. Success in carrying out this reform will depend upon a revival of the economic and political activity of the peasantry and its ability to protect its own interests.

Only by relying upon its own social and political organizations will the peasantry be able to achieve the right to own land and the products it produces, to protect the independence of enterprises and the parity prices for agricultural and industrial products and to ensure a fair distribution of budgetary funds between the cities and countryside.

Will Leasing Draw City Dwellers Back To Villages?

*904B0144A Moscow SELSKAYA ZHIZN in Russian
13 Feb 90 p 2*

[Article by V. Belenkiy, head of a sector at the All-Union Scientific Research Institute of Agricultural Economics of VASKhNIL and Doctor of Economic Sciences: "Will the City-Dweller Return To the Village?"]

[Text] Success in the reform in agrarian economic relationships will depend entirely upon whether or not people will be found who are capable of taking in hand certain sectors of agro-industrial production and bearing full economic responsibility for them.

Permit me to note immediately that under present conditions, following many years of peasantry operations, it is very difficult to persuade modern rural workers in any region of the country to undertake such a step. In regions characterized by a deformed and weak rural demographic and labor potential, this task becomes quite unsolvable. The only solution—to augment the structure of rural workers through the return to villages of a portion of the population that previously migrated to cities.

The possibility of achieving such a solution was borne out by the results of a special sociological poll conducted in 1989 by workers attached to the Sector for the Social Infrastructure of Villages of VNIESKh [All-Union Scientific Research Institute of Agricultural Economics] among workers at a number of enterprises in three cities in Kursk Oblast.

The poll revealed that almost two thirds of the former villagers have no objection to returning to the countryside, but under certain conditions. Of their number, approximately 60 percent support leasing and 11 percent of those polled value in a more deliberate manner their personal participation in the revival in the countryside of the lease forms of management. As a condition for

their return, they cite the adoption of the new law on land utilization, that is, they are counting upon free land ownership.

The overwhelming majority of these people are men. Three fourths of them range in age from 20 to 39 years, and the majority of these individuals fall in the most work-capable group (25 to 29 years of age). Almost three fourths of the potential village leaseholders possessed a secondary or incomplete secondary education at the moment they migrated to a city, and more than 60 percent had families. Almost three fourths of them have lived in cities for 5-10 or more years. Almost 80 percent work at industrial enterprises and approximately 90 percent are performing physical labor of an average or high level of skill. The material level of those polled has improved noticeably: whereas at the moment of migration the proportion of persons with an income of more than 80 rubles per individual annually was only 16.3 percent, at the present time this proportion has increased to 65 percent.

During the period they resided in cities, the housing-domestic and socio-cultural conditions of the potential leaseholders changed substantially. Thus, whereas prior to their migration to cities the overwhelming majority of them lived in individual and ill-planned dwellings, at the present time more than one half have separate and well arranged apartments. True, the others are still living in dormitory facilities or in communal apartments. But only 2.3 percent of the mentioned group of people are renting private apartments.

Thus the mentioned group of individuals who were polled, in terms of their characteristics, represent a contingent of second-time migrants who are fully suitable for the new conditions of agricultural production. But there is one question: are these individuals serious in their intention to return to their villages? With a certain degree of caution, this question can be answered affirmatively. In this regard, let us return once again to the materials obtained from the sociological study that was carried out.

The poll revealed that the majority of the potential rural leaseholders associated their sojourn in cities with the hope of increasing their earnings, improving their work regime and conditions, solving their housing problems and being able to solve to the maximum possible degree their requirements for industrial goods.

However, not all of them realized these expectations during their stay in the cities. Thus, 58.8 percent of those included in this group of potential rural leaseholders intended to improve their work regime and conditions. Only 27.9 percent realized this expectation. Only 25.6 percent improved their housing conditions, although 55.8 percent had planned to do so. Roughly 67.4 percent of the group that was polled fully expected to satisfy their requirements for procuring industrial goods and yet only 37.2 percent succeeded in realizing this goal. More than 37.2 of those polled in this group are not fully satisfied at

the present time, and 18.6 percent are generally not satisfied with the organization of their leisure time. And the situation is practically the same in all other areas: the proportion of persons who carried out their intentions is one and a half times less than those who expected appropriate changes.

As a result, only 23.3 of the potential rural leaseholders noted unconditionally that their lives in the city had become better than in the countryside. Another 46.5 percent believes that their lives became only slightly better and have remained that way.

A second basis for realizing the intention of returning to "one's homeland" derives from the fact that a considerable portion of the people considered to be potential rural leaseholders, just as in the past, value rather highly the positive aspects of the rural life style. Without negating the fact that in the cities work is easier, housing and daily routine better organized and the opportunities for socializing, bringing up children and organizing leisure activities more extensive, those who were polled also emphasized that life in rural areas is more uniform and calm, more kindly attitudes prevail among people and conditions are available for operating a private plot and obtaining one's own products. It was also noted that in rural areas an individual is surrounded by nature in all its beauty, he is closer to the land and animals, he breathes clean air and his material situation is more stable. Such an attitude towards the rural life style was typical of 60-75 percent of those polled.

Finally, a third objective circumstance which inspires hope for a return to the countryside in the potential leaseholders is the fact that many of them never lost contact with their villages. Almost 90 percent of those polled have relatives, friends and acquaintances living in the rural areas. Moreover, one out of every three, as a rule, regularly visits his village once a week. Roughly another 35 percent visit their villages 1-2 times monthly. More than 60 percent of the potential rural leaseholders travel to their villages in order to assist friends and relatives in harvesting the crops from their private plots. And they travel there for other reasons as well—for socializing with relatives, friends and acquaintances. And on weekends and holidays they go there in order to leave behind the fuss and bedlam of the cities and in order to obtain fresh products.

Thus it is still possible today for a portion of the rural population who migrated earlier to the cities to return to their villages. What specific measures are needed in order for them to be able to do this? Allow me to express several considerations in this regard, while making no claim to either innovation or truth.

Let us note immediately that the basic principles for re-migration from cities to the countryside are today associated with implementation of the economic reform. The adoption of laws on ownership, land and leasing, the creation of a market for the means of production and the

conversion over to contractual prices for products produced—all of this is creating legal, administrative and economic guarantees for the irreversibility of the measures already started aimed at restructuring the national economy and the entire system of economic relationships, it is providing protection against voluntaristic and administrative-pressure forms of control and it is opening up a broad expanse for personal initiative. Beyond any doubt, such improvements will have a positive effect upon the re-migration behavior of these former rural residents. But in order for this process to become massive in nature, additional measures are required. And first of all it will be necessary to ensure economic stability and durability for peasant family farming. Today, with the demand for food goods greatly exceeding the available supply, any production operation, including small-scale production, will be sufficiently effective under the conditions imposed by market relationships. All the expenses of a producer will be covered by the consumer, since in the face of a shortage of goods the market price is determined by the former and not the latter. But the situation will change radically as the food market becomes further saturated. And then the question concerning the expenses and competitiveness of a small leased peasant farm, one based upon the work of one family, will confront us in all its magnitude.

In order to avoid the possibility of difficulties, a requirement will exist for providing special training for the rural population, including re-migrants from the cities, in the leading methods for managing farms under the conditions imposed by dynamically changing market conditions. In addition to knowledge of the progressive technologies and labor forms in agriculture, there will also be a need for skills in entrepreneurial activity, in organizing production operations in an intelligent manner and in carrying out economic affairs on a thrifty basis. But in order for a rural leaseholder to make full use of this knowledge, he must be supplied with the necessary information, production operations must be computerized and an extensive service must be created for the collection, processing and delivery of data on the status and forecasts for the development of the consumer market, technical progress, the market for means of production and logistical supply.

Further. In its family form, peasant leasing production operations will remain competitive under the conditions imposed by market relationships only if they are supplied with the appropriate instruments of production—inexpensive and non-energy-intensive but highly productive and multiple-purpose assemblies, machines and equipment. Up until now, we have done almost nothing in this regard.

For stable functioning of peasant leasing production operations, complete service operations must be organized—a repair service, the furnishing of services in the production and sale of agricultural products and in logistical supply. At the present time, our work in this area is proceeding very poorly. It is sufficient to state that in developed capitalist countries one agricultural

worker is being serviced by up to five individuals engaged in production services. In our case, this ratio is quite different—for two agricultural workers, there is one tasked with providing services in the agricultural sphere.

International experience underscores the fact that a small peasant farm retains its vitality and competitiveness at those times when, in addition to agricultural operations, the possibility exists of simultaneously carrying out non-agricultural forms of business activity. In particular, the combining of work in agriculture with work at industrial enterprises, in construction, transport or in the sphere of services. Thus, on the one hand this experience should ideally be used for ensuring the development, directly in rural areas, of a network of enterprises and institutes of a non-agricultural profile and, on the other, the transport conditions required for the labor migration of the rural population of a city, during the inter-seasonal period for agricultural work, should be created.

A need also exists, especially in the beginning, for state economic protectionism for farms leased by peasant families. It can be expressed in favorable taxation and crediting for agricultural leaseholders, in special purpose financing for the construction of infrastructure objects for the production service, in the presentation of certain priorities and privileges in logistical support, in the establishment of favorable prices for means of production and in the construction of production installations.

The creation on a voluntary share basis of an insurance investment fund can be of considerable assistance in ensuring economic stability for farms leased by peasants. By contributing a portion of his income to this fund during favorable years, a leaseholder can obtain the needed economic support during a difficult period.

Finally, an important condition. Regardless of the measures that are undertaken, one of the most important conditions for the economic stability of small scale production continues to be the voluntary consolidation of the efforts of such production operations and a division of labor among them. Thus the question concerning efficient cooperation among agricultural leaseholders, but on a legal, economic and organizational basis that is different than that found at our present kolkhozes, is not being removed from the agenda. For its successful solution, appropriate prerequisites must be created and, in our opinion, a decisive role must be played in this regard by the local soviets.

REGIONAL DEVELOPMENT

Regional Reservations Voiced About Leasing

Doubts About Readiness in Moldavia
904B0213A Kishinev SELSKOYE KHOZYAYSTVO
MOLDAVIA in Russian No 1, Jan 90 pp 2-4

[Article by I. Botnarenko, director of land use and organization department, MSSR Agropromsoyuz

[Agroindustrial union]: "Leasing Without Applause—Are We Ready for Change? Most Kolkhozes Are Below the Poverty Line"]

[Text] Today when we are reviving leasing it is essential to turn to the sources and research that belongs to the period of leasing's development. Otherwise, we will unavoidably repeat a number of mistakes.

As a result of the thorough study of land leasing in agriculture, V. I. Lenin came to the conclusion that it is a more flexible form, "in which the adaption of land use to the market occurs in a simpler manner, more easily and more rapidly than with other systems" [Complete Works, Vol 21, p 383].

In other words, land leasing is a form of organization of agricultural production in which land users supply the market with inexpensive competitive products.

Without a market there is no leasing and without leasing the market is empty.

There is no doubt about the existence of mutual ties between leasing and the market. However, doubts are being expressed about the form of leasing that we are introducing today. Primarily this is because we are introducing leasing under conditions in which there is an absence of a harmoniously-developing socialist market.

Or is there proof of the fact that in socialism the mutual tie between the market and leasing does not exist?

Today, however, it is also difficult to explain the path which socialist agriculture followed for a long time, along which leasing was not accepted. It would be too easy to explain it by saying the baby was thrown out with the bathwater. First of all, we should admit that the production forms and economic relations between these forms of production that were purposefully created excluded the development of the market and therefore of leasing.

We know from the history of land relations that during the first years of socialist management two tendencies developed with regard to the peasant question concerning the development of the forms of land use.

One of them foresaw the distribution of land among peasant households in proportion to the number of family members. In this system, the peasant household was to become the basic form of land use. The other was based on the need to create large collective enterprises having land.

Collective labor in the collective enterprise based on collective interests was seen as corresponding more to the principles of socialism and justice.

Land distribution according to the number of consumers was considered unjust because by simple arithmetic one could see that it was impossible to achieve equality simply by dividing land among peasant households.

Today we can definitely say that the transfer of land to peasants could have become the basis for the development of lease and farm relations. The collective enterprise created the foundation for today's kolkhoz-sovkhoz forms of land use.

At the present time, we are making an actual transition from kolkhoz-sovkhoz to lease forms of land use. One foundation is being destroyed and another is being built. Since there are many contradictions between them, often the transition is being implemented without applause. Worse than that, the development of leasing is being made completely dependent upon the kolkhoz-sovkhoz foundation. The new is being subjugated to the old.

Two interrelated questions naturally arise. First, with the kolkhoz-sovkhoz form of land use, have we really created the foundation for the development of equal economic relations for peasants?

Second, today under conditions of the introduction of leasing, how urgent is the strain placed on their economic interests?

Naturally, the violation of the principles of equality and social justice is favorable soil for placing a strain on the economic interests of peasants. In the kolkhoz-sovkhoz form of land use, when land resources have been handed over by the government for the use of the entire collective, instances of inequality in land distribution are avoided. However, although there is equality in terms of the means of production, inequality is tolerated in terms of the consumption of products by the kolkhoz enterprise. Many kolkhoz members and sovkhoz workers simply remain outside the production process and work seasonally and for low pay.

Without doubt they receive according to their labor but the situation is different as concerns supplements to their labor. What does the proclaimed equality regarding land resources mean to them? Practically nothing. If we go outside the boundaries of a single enterprise or labor collective, the picture develops more contrasts. Here the clear inequality in land resources is obvious. Let us look at a typical example which we can find in all enterprises of the republic.

In Put K Kommunizmu Kolkhoz of Keinarskiy Rayon one peasant household has about 16 hectares of arable land and perennial vegetation. In the same rayon in Rezeny Sovkhoz each household has about 6.6 hectares. Naturally, the potential possibilities for fund development and especially for savings and consumption are lower in Rezeny Sovkhoz than in Put K Kommunizmu Kolkhoz.

One can come to the conclusion that the kolkhoz-sovkhoz form of land use basically did not solve the problem of equality with regard to land resources and retained the conditions under which social inequality arose.

Following the path of development of leasing, kolkhozes and sovkhozes with a small amount of land per peasant household are forced to withdraw significant manpower from the production process. The development of rural unemployment become potentially possible.

V. I. Lenin's conclusion concerning the fact that leasing in agriculture in its elemental development gives rise to the migration of the population from the village to the city in search of suitable work also become a reality for us.

The complexity of the economic situation in the Moldavian village has to do with the fact that many collective agricultural enterprises currently are not capable of creating work conditions for the population living there even on a minimum viable level.

The majority of the population living in kolkhozes and sovkhozes is below the so-called "poverty line."

This becomes clearer with a specific example.

Sovkhoz imeni Lenin of Glodyanskiy Rayon has at its disposal 1,371 hectares of worked lands (arable land and perennial vegetation). Normative gross production output per hectare is in the area of 1,650-1,700 rubles. In the enterprise as a whole, it is 2.3-2.5 million rubles. With all of the favorable circumstances, the annual wage fund in this enterprise can comprise 750,000-800,000 rubles.

Based on the fact that 2,950 persons live in the sovkhoz, we can calculate that each person's average annual wage can equal no more than 260-270 rubles. The sovkhoz's means of production are capable of providing every resident an average of no more than 25 rubles monthly. To this we must add the relatively high wages of specialists.

When large numbers of village residents solve the existing problem by finding jobs far from their place of residence, this increases the problem for agriculture.

In introducing leasing today, we should take into account that the lessee will not take a job that promises to pay 250-300 rubles per year. First and foremost, he will move to decrease the production cost of products by means of the efficient use of equipment and techniques. At the same time, the profitability of the lease enterprise will grow by means of a curtailment of expenditures of live labor per unit of production.

We are stimulating land leasing and have every right to expect increased soil fertility together with a decreased production cost for farm products. Here two groups of interests are clearly manifested.

The lessee is interested in fewer expenditures per unit of production. If additional expenditures are equal to or higher than additional production the lessee will not utilize these products, even if this is to the detriment of public interest and of soil fertility. Here we must admit

that today, by strictly adhering to production technology, we can temporarily increase the productivity of agricultural crops while gradually decreasing soil fertility. This is true exploitation of land resources and the illegal assimilation of public resources. Another question is also proper. Is society ready to control land use?

Society's interests in the area of land use are significantly more extensive and call for a simultaneous improvement in fertility.

In creating a basis for the new form of organization of agricultural production, first and foremost it is essential to consider the requirements of the efficient use of land. Society's interests must be strictly protected or lease relations will aggravate the status of soil fertility even more.

Leasing must develop within a framework of a system of efficient land use. We must also add to this that it must be within a strict system of controls, without which leasing will travel an elemental path.

Based on the limitations of lease resources in the republic and on the need to use them more efficiently, on the population density and on the solution to the unemployment problem, the following path of lease development would be more favorable.

First of all, it is essential to introduce leasing in large subdivisions (links, production brigades and so forth), having assigned them a territory for an entire crop rotation according to contract. Simultaneously with the introduction of leasing in large subdivisions, the parallel development of auxiliary production enterprises is very important. What we have in mind is to have the village provide finished products for the city. It is no secret how much the village loses as a result of the fact that it supplies all its products to the city in the form of raw materials. This is an important factor under conditions of territorial cost accounting.

We should not delude ourselves by thinking that the principles of territorial cost accounting will stop somewhere on the boundary of the union republic. They will go deeper in their development.

Another positive aspect is that the manpower that is constantly being freed (based on the laws of leasing) from the basic processes of production will be utilized at its place of residence in new spheres of production.

Migration from the village to the city will be under control. Measures to counteract village unemployment will be more realistic. Controls over the efficient use of land will be more effective.

At the same time there is a danger of mechanically transferring the defects of the collective enterprise to collective leasing. Yes, world practices in managing the enterprise have proven the advantages of collective management, whether in the form of peasant, farmer or other unions. However, within these unions every farmer or peasant enterprise does not lose its individuality and

independence. The interests of every member of the union individually are taken into account. We in collective leasing once again still see the collective only. From this arises the fact that the collective form of leasing under our republic's conditions should be viewed as transitional from a collective enterprise (kolkhoz, sovkhoz) to individual or family leasing, after which a new stage in the integration of leasing enterprises will have arrived.

In this way, a very complex process of development and transformation of land use under the influence of the market and lease relations is coming and the responsibility of the land use and land organization service is increasing. The special features of each stage of development, the approach to the development of lease land use and adherence to the principles of land organization are becoming important.

Are we ready for this?

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Better Within the Collective

904B0213B Sverdlovsk URALSKIYE NIVY in Russian
No 2, Feb 90 pp 8-9

[Article by L. Kolesnikov, lecturer at Orenburg Agricultural Institute: "Returning to the Peasant What Belongs to Him"]

[Text] My life is closely tied to the land and grain of Orenburg Oblast. I survived the hunger year of 1921, travelled a path from tractor operator to department director of an agricultural institute, and directed a test station. For many years I was witness to many directives about how to sow and plow. But the productivity of fields did not improve and the initiative and creativity of people was extinguished.

Now this is a period that is over. It is most important not to tolerate the administrative-command method of management of agricultural production and to depend on lessees, cooperative members, specialists and directors of kolkhozes and sovkhozes.

Of all the reforms and restructuring I have remembered the New Economic Policy. NEP enlivened peasant life, improved the economy of the village within a short period of time, and strengthened the union of the city and the village. In my native village of Grachevka during the year of formation of the USSR, every five households had one cow, every ten—a horse, and every 15—a sheep; in 1929 every household had 1-2 cows, a horse, small animals, poultry, and all the grain it needed.

"For the first time, peasants saw freedom in action, freedom to eat their bread, freedom from hunger," wrote V. I. Lenin. "The Soviet authorities gave them land and the opportunity to themselves dispose of the products they produced; they took into account the psychology of

the peasant who lived according to his own economic laws," emphasized A. V. Chayanov. Careful management of the land was considered to be an unspoken law, a standard of conduct.

Years passed. Collectivization began. Bolshevik Kolkhoz was organized in 1929. The enterprise was born with great suffering and alarm; villagers were forced into the artel "with fire and sword." In the next 60 years, the kolkhoz expanded more than once, was unified, went through 27 chairmen, and when the able-bodied moved away, fled, it united with two neighboring enterprises. But even after this it remained in great debt to the government. The good peasant traditions were exhausted. People lost the habit of working the land, of cultivating it well, and of being in the fields from dawn to dusk. This is why peasants are in no hurry to take land into their own hands. Many see leasing as a punishment, saying, "We can do without it."

Many in the village do not keep a piglet and feel that it is a bother to have a cow, hog or poultry. During the 1960's, the idea of giving up private cows to the public herd and buying milk in stores was especially actively propagandized. In the oblast, the production and sale of feed for individual livestock stopped. The supplies of meat and other products stopped.

Now we are faced with the question of how to feed the people. There can be only one answer—by giving back to the peasant what belongs to him, by developing lease relations, and by creating production cooperatives. In general this is the correct direction. However, we must begin by changing the psychology of kolkhoz farmers and sovkhoz workers by issuing a decree on land and land use, by transferring it in perpetuity to the peasant with a right of inheritance, and by creating special legal and economic conditions for independent work. This problem is not an easy one; a great deal of time and persistent labor will be needed in order to solve it.

When there is a land decree, the peasant himself will find the right form of labor organization—he will decide whether to have family leasing, whether to join a cooperative, or whether to create a contract brigade. We cannot impose a single model; let the peasant think and select for himself. However, we cannot move away from this determining factor in agricultural production.

Thousands of years of practice show that the most vital form of labor organization is family leasing. Family feelings join people together, force them to work better and to look for ways to increase labor productivity. Here the rule, "One for all and all for one" is especially clearly manifested. Peasants have become accustomed to this over the centuries. I experienced this myself when I worked in an individual peasant enterprise under the management of my father.

Other lease forms are also possible: individual, link, brigade and cooperative. In selecting a form of organization and reimbursement of labor, it is essential, first and foremost, to take into account the desire of the

peasant himself, local natural conditions, the specialization of the enterprise, and the achievements of science and progressive experience. An imitation approach to solving this problem and hurrying to implement it will bring great harm to agriculture in ways that are difficult to predict.

Lease contract subdivisions work according to contracts with enterprises and are supplied with the full complement of needed equipment and technology, sowing and planting materials, fertilizer and spare parts. Here it is important to unfailingly adhere to contract relations. There are frequent cases in which the absence of individual machines and equipment, fuel and spare parts results in a violation of field work and in a decrease in productivity and consequently gives rise to a lack of trust in agreements and in lease contracts.

In 1989, in Orenburg, due to the absence of storage batteries and belts, many combines remained idle during the harvest campaign. We come across negative phenomena of a different order as well—when individual lessees do not take fertilizer and seed of high reproductions and do not introduce measures to revitalize and increase soil fertility or to further natural conservation; they try to achieve the maximum yield without the necessary investments. Here we have the intrusion of the ancient peasant psychology; the lack of understanding of the laws of fertility is felt. It is essential to educate lessees in agronomy and in the technology for cultivating agricultural crops.

Family leasing is the right way to place and confirm the manager on the land; it is an effective means of educating village workers and the realistic way to increase labor productivity in agriculture. This management form must develop on a foundation of kolkhozes and sovkhozes but not within them as claimed by some economists-agronomists, such as the senior economist of Rossiya Kolkhoz of Perm Oblast in an article, "'For' and 'Against,'" published in the journal URALSKIYE NIVY. The strengthening of kolkhozes and sovkhozes via lease relations with peasants is the general direction in the development of agricultural production.

VASKhNIL academician V. A. Tikhonov denies the freedom of lessees. He says that within the unfree collective, sooner or later the chairman or director will be forced to limit the lessees's economic freedom for the sake of the larger collective. This danger is possible with the existing economic relations in the village, but when all branches and subdivisions of enterprises make a transition to lease relations and when each has its own account in the bank, such reservations will be needless. Under such conditions, difficulties may arise in terms of mutual accounts, the distribution of crops in the crop rotation, and the acquisition and use of equipment, but they are easily dealt with. Only in the collective enterprise is it possible to more fully utilize natural conditions and the achievements of science and technology and to organize the overall development of the individual.

In many of the country's enterprises, including in our oblast, there is a great labor shortage. The introduction of lease relations will mitigate the urgency of the problem somewhat, but it will not eliminate it fully. The hope that city residents will have the inclination to move to the village is not large. Each individual has his own interests, which can be satisfied only freely and creatively. A newly-arrived individual must be given land so that he himself builds a house and outbuildings under incentive conditions, acquires livestock and farmsteads, and is helped to assimilate equipment and the technology for cultivating a harvest.

It is essential to create city conditions for villagers, to mechanize and standardize labor, and to limit the movement of young people into higher educational institutions and technical schools. There is no point in concealing a sin—many people who graduate from agricultural educational institutions do not work in their specialty. In some oblast enterprises, there are up to 16 specialists, and only 4-5 are actually needed.

We should develop the network of cooperatives more extensively, transferring to them, through the organs of Soviet power, land, livestock and machinery. The cooperative must be given the right to sell the products it produces according to its own discretion.

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MACHINERY, EQUIPMENT

Conversion at Chelyabinsk Tractor Plant

90UM0392B Moscow SOVETSKAYA ROSSIYA
in Russian 20 Mar 90 Second Edition p 1

[Article by A. Usoltsev: "First-Born of the Conversion"]

[Text] The enterprise anticipated it the way a young couple await their first-born. Now here it is, small but alert, running exuberantly around the plant aisles and drawing a crowd of the curious wherever it goes. It is a rare worker or engineer who can pass by the infant without stopping to admire its deft motions. But the people are not motivated by idle interest. Everyone understands that the appearance of the first-born represents prospects opened up for the plant collective and hopes for a stable future.

Until now the Chelyabinsk Tractor Plant imeni V.I. Lenin, a production association, produced the powerful T-180 and DET-250 tractors. New colossi, the DET-350 and T-800, are about to come out. There is no question that these products are needed. The trouble is that they are designed for use in the heavy and extractive industries and construction. What is the enterprise doing for the people, for our consumer market? Even in the plant

shops of the Ural tractor builders one increasingly hears the previously unknown word "conversion." Particularly since it became clear that the nation does not need the defense items produced there.

This word evokes a natural feeling of satisfaction in us rank and file consumers. At the plants directly affected by the conversion it is known as "surgery without an anesthesia." It turns out that it is not so simple to convert a plant to the production of civilian products. The Chelyabinsk people too had to rack their brains a great deal to find a way out of the situation. How were they to use the freed capacities? How were they to employ the almost 7,000 idled workers?

A decision was made which satisfied both the labor collective and, most important, the broad masses of the population. The plant designers proposed producing mini-tractors. There is almost unlimited demand for this kind of machine in our nation. Many farmers and renters of farmland and the owners of gardens and subsidiary plots dream of having one. And I doubt that even the large farms will refuse the mini-tractors. It has long been understood on the kolkhozes and sovkhozes that it is simply criminal extravagance to send a K-700 for a can of milk.

The team of specialists headed by V.L. Vershinskiy, chief designer at the enterprise, has now completed the development of the new item, and the first-born of the conversion has now been assembled at the plant for the production of large tractors. Deputy chief designer V.P. Saraykin tells about the merits of the infant:

"Our mini-tractor fully conforms to its purpose in both size and weight. One would not call the Uralets a weakling, however. It has a maximum power of 10 hp. One feature of our machine is that it can be either wheeled or tracked. That is, when the owner wants to he can cover the wheels with rubber-ribbed tracks."

The plans called for the plant to produce 10 test models last year and to turn out 1,000 mini-tractors this year. They would have been snatched up instantly. B.I. Zakharov, director of the plant for the production of large tractors, showed us a stack of requests for the Uralets. At the present time, however, only four tractors have been assembled. The producers of this equipment, which the people need, came up against a solid wall of incomprehension on the part of the enterprises which could produce the assemblies and parts. One after another, these plants have sent them rejections. The Petropavlovsk Small Engine Plant dealt the heaviest blow to the Ural tractor builders by refusing to supply the "heart" for the mini-tractors.

And so, are the renters and farmers waiting in vain for the equipment they need?

POLICY, ORGANIZATION**Plan To Overcome Stagnation, Technical Lags Viewed**

904C0010A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 17, Apr 90 pp 8-9

[Interview with V. Serov, chairman of the USSR Gosstroy, by A. Mironov, PRAVITELSTVENNYY VESTNIK correspondent: "A Tax on Stagnation?"]

[Text] **A concept of development of construction science was examined and adopted at the All-Union Seminar Conference held recently by the USSR Gosstroy together with the All-Union Scientific and Technical Society of the Construction Industry. Our correspondent talks with M. Serov, chairman of the USSR Gosstroy, about the basic directions of this concept and reference points for working in the new conditions of economic management.**

[Mironov] Construction is characterized as one of the sectors of the national economy that is lagging behind the most. How can you explain the current stagnation of scientific and technical progress in this sector?

[Serov] Construction science, unfortunately, has ended up in the role of the step-daughter. Overall expenditures for it are no more than 1.5 percent of the total allocated for development of science in the country, although the construction complex provides 13-15 percent of the gross social product. There are 115 scientific workers per 10,000 people employed in the USSR national economy. In our complex the figure is 36, and in machine building it is 215. Our capital-labor ratio for scientific labor is just over 8,000 rubles, and in the fuel and energy complex it is 17,000 rubles.

As a result, in the total volume of capital investments for development of the sector, the proportion of the scientific base has been less than 1 percent, or one order of magnitude less than in other national economic complexes. Until recently, this resulted in the entire scientific and technical policy in the sector being formed as a set of various fragmentary programs. And even the titles of "comprehensive," "goal-oriented," and "most important" could not give them a systematic nature. Scientific and technical progress itself has been singled out as sort of an independent, autonomous area of activities disengaged from the production sphere. Separate principles of planning, financing, and moral and material incentives have begun to be introduced.

The USSR Gosstroy has decided to unite the uncoordinated efforts of scientists, and for the first time in many years representatives of the sectorial, VUZ, and academic science have gathered together to discuss the paths of development of scientific and technical progress. The adopted strategy is becoming the basic direction of the activities of the USSR Gosstroy and other bodies of state sectorial management. Full modernization and reequipment of scientific support will now become an integral

part of the development of the material and technical base of construction as a whole.

[Mironov] Do you believe that the departmental structure that has taken shape clearly does not promote effective scientific activities?

[Serov] Yes, in the new conditions of economic management it seems inflexible and sometimes an anachronism. Huge institutes (with 1,000 or more associates each) have monopolized entire directions of science, becoming outposts of conservatism. The return from sectorial science is often expressed in standard rubles of economic effect that are not understood by anyone and in an abundance of instructions and recommendations that are far from practical experience.

The conversion of scientific collectives to cost accounting also has not yet had a favorable effect on improving organizational structures and on the quality and efficiency of labor. Direct violation of the principle of the surpassing growth of the scientific and technical and social development fund with respect to the wage and material incentive fund has become a sad fact due to the insufficiently thought out approach to establishing standards.

The expediency of one or another scientific structure, of course, should be determined by the real conditions of economic management and by the transition to market regulation of producer and consumer relations. The structure should acquire a mobility, an ability to react flexibly to any changes in the process of scientific activities and in consumer demand. A problem-solving approach, a competitive contract system of organizing research, and participation of representatives of both academic and VUZ science in it—these are the main conditions. The main element here is the research collective. All labor relations should be structured on the basis of contracts concluded with scientists for the period they perform research.

The basic principles of an efficient functioning mechanism of scientific organizations have been provided for in the above-mentioned concept. These principles make it possible to implement in practice financing not of scientific organizations but of scientific topics. It also permits multiple sources of financing.

Certainly, priority in the state budget has been given to state scientific and technical programs, including the "Stroyprogress-2000" [Construction Progress-2000] program, which is aimed primarily at solving the housing problem.

Science funds are a fundamentally new approach to efficient management of science—integrated scientific and economic structures, including funds of ideas, finances, and creative performers. It is planned to create an innovation commercial bank for introducing reliable financing of the mechanism of sectorial science. In order to overcome the monopoly position of researchers, it is

envisioned that part of the budget funds each year will go for creating alternative projects on a competitive basis.

[Mironov] Finally, about the notorious introduction.... There are quite a few highly efficient developments in the aktiv of construction science, but how can they be implemented?

[Serov] The appropriate market mechanism is needed that ensures interest in systematic use of the results of scientific research. Its basic elements are presented in the concept. They include a system of taxation, a most powerful means of influence. World experience indicates that by using "taxes on stagnation," one can successfully guide production to the main track of progress. Japan, for example, used the taxation process to convert its construction materials industry to the "dry cement" technology and metallurgy to continuous casting of steel. As we know, we have created both of these technologies, but they have not been widely introduced.

The concept calls for sanctions and increased tax rates on profits of enterprises for lagging behind in technical development of production, producing low-quality products, and violating ecological requirements. Conversely, it provides for granting special-purpose subsidies and preferential credits for those who implement serious reforms in the priority directions of scientific and technical progress.

In market conditions, trade fairs of scientific and technical achievements help to introduce technical innovations. The USSR Gosstroy has already held such measures twice. Last year more than 650 domestic organizations and 28 foreign companies participated in a showing. More than 15,000 developments have been sold, amounting to about 100 million rubles and more than \$700,000.

It is a very difficult task to thoroughly study the problem of ownership in investment activity and on this basis the scientific elaboration of contract relations in construction, which should become the basis for its planning and management. Our science is called upon to provide feedback between the real results and management decisions, for which it is necessary to study the transitional processes of restructuring the economics of the investment sector and capital construction.

Other very important tasks include elaboration of detailed concept of a contract market and a single method of assessing the effectiveness of economic measures, capital investments, fixed assets, and new equipment. We need a qualitatively new approach to price formation and new principles of its methodology. Other matters also require prompt resolution.

POLICY, ORGANIZATION

Gosplan Official on Retail Price Hikes, Stocks of Goods

904D0126A Moscow RABOCHAYA TRIBUNA
in Russian 20 May 90 p 3

[Interview with USSR People's Deputy V.I. Ogarok, deputy chairman of the USSR State Planning Committee, by A. Nadzharov; date and place not specified: "Don't Panic at the Store Counter!"]

[Text] Yesterday, we published reports from our correspondents in Gorkiy and Volgograd on the panic buying of some goods which began suddenly. Having heard enough talk about our transition to a market economy and in the absence of reliable information about it, some people began to build "strategic" stockpiles of flour, salt, matches, and cereals at home. Explanations by the USSR State Committee for Prices, which were made in a timely manner, are extinguishing the panic, but questions still remain. We approached USSR People's Deputy V.I. Ogarok, deputy chairman of the USSR State Planning Committee [Gosplan], with these questions.

[Nadzharov] Will there or won't there be price hikes on 1 July, after all?

[Ogarok] This is not even under discussion yet. Of course, all of us understand now that a price reform is long overdue. However, proposals to this effect have not been considered yet.

[Nadzharov] Does the government have such proposals?

[Ogarok] Definitely. Within several days these proposals will be considered by the Presidential Council. If approved, they will subsequently be referred, with probable amendments, to the session of the USSR Supreme Soviet for consideration and, naturally, for a public discussion. If they make it through this crucible the timing of their introduction and procedures for their application will be determined.

[Nadzharov] People worry about life becoming even more difficult after the adoption of these proposals. After all, the improvement in the state of affairs which our economists predict in the event of the price reform cannot but occur at someone's expense. At whose expense?

[Ogarok] Ultimately, at the expense of the state, which has reduced expenditures for the military and capital construction. However, in general we cannot raise the issue like this because restoring common sense in the economy should be accomplished at the expense of its internal reserves, by redistributing funds between producers and consumers. For example, last year state subsidies for the production of foodstuffs came to 100 billion rubles. In particular, this ensured the price of meat in state shops—two rubles per kilogram. It is now proposed to give these billions to the people by

increasing their wages, retirement benefits, scholarships, and other incomes accordingly.

[Nadzharov] However, this will not increase the output of meat.

[Ogarok] Not so. The production of foodstuffs and many other types of goods will become profitable rather than unprofitable, and their volume will increase abruptly. Actually, the entire concept of the price reform calls for improving our standard of living rather than reducing it, for saturating the market rather than introducing a strict austerity regimen. I will stress that the price hikes are definitely going to be offset in full by simultaneous increases in the incomes of all strata of the population.

[Nadzharov] Valentin Ivanovich, you oversee the production of consumer goods in the Gosplan. What is happening with their nonfood segment?

[Ogarok] Frankly, the situation is still difficult; however, signs of an improvement have already appeared. For example, by the beginning of the year the discrepancy between the sum of incomes of the populace and the volume of goods produced by the enterprises of Union ministries was higher than the current 8.8 billion rubles. By the end of the year an exact balance is probable. The situation is worse with enterprises reporting to the republic. Stormy elections, the change and transfer of power have distracted the organizers of production from work. However, I think that by July the imbalance in this area is going to be reduced.

[Nadzharov] To be sure, organizational measures are fine, but what about economic, noncommand measures?

[Ogarok] As of now, 24 legislative provisions are in effect in our country which provide incentives for the production of goods. This includes tax relief, incentives for exports which generate currency for purchasing consumer goods, and many other things. All of it is working already, especially in the military-industrial complex. The production of consumer goods there is growing "severalfold" rather than by so many percent. The price reform will set things in motion even more, provided of course that it is adopted.

[Nadzharov] Therefore, we can look to the future without fear. What about today?

[Ogarok] I think that we may understand those who are panicking. After all, we learned the truth about the condition of our economy after coming out of stagnation. All of us understood that the economy cannot be considered healthy, and for the first time became concerned about it not only at the state level but also at the family level. Hence the panic buying which is appearing in places. However, I should say that it is not justified. For example, the Gosplan continuously monitors 28 items on the list of items of particular significance for the people. So flour, salt, cereals, and matches are not on the list.

[Nadzharov] Why do we have lines then?

[Ogarok] It is just that demand has tripled in some places, and transportation is not coping with hauling for example salt, stocks of which alone would suffice for almost a year. Not so long ago the situation with laundry detergent was similar. At present reserves of it are 6.5 times greater than last year.

AUCCTU Protests Consumer Goods Auctions

Market Mechanisms Hindered

904D0071A Moscow IZVESTIYA in Russian 19 Feb 90 Morning Edition p 1

[Article by V. Romanyuk: "Incident in the Commodity Market: Why Trade Unions Are Protesting Once Again"]

[Text] A recently adopted decree of the USSR Council of Ministers on immediate measures to normalize the consumer market instructed the USSR Gosnab to determine and approve quarterly sales volumes at auctions of commodities and material valuables. By way of explanation, the reference is to the activities of a network of intermediary wholesale firms becoming middlemen in the marketing of fuel, scrap metal and construction and other materials. What was obtainable in prior times in the black market—piping, galvanized iron, lumber, finished carpentry articles, garden sheds, flooring, packaging material, hardware and even trucks, tractors and minibuses—is all now allocated specifically for sale to the public, included in state orders and delivery contracts, and withdrawn out of the above-standard reserves of enterprises. The USSR Gosnab was given a target for 1990—to find 3.1 billion rubles' worth of such commodity resources for the market by this means. Half of the income will go into the union budget, 10 percent will go into the local budget, and the rest will be shared by Gosnab's territorial organs and the product manufacturers.

But the functions of the 26 intermediary wholesale companies will be much broader than that of simply coordinating the commercial interests of manufacturers and consumers. They are called upon to study the commodity market conditions, to coordinate commercial activities on an intersector and interregional basis, to assist in the purchase and sale of products, and to generally develop supply and demand balances. The firms are also instructed to organize barter deals with foreign partners with the purpose of supplementing our market resources with imported articles.

There is one other significant circumstance: Intermediary wholesale firms are being created not on the basis of the authoritarian economic model, but precisely on the basis of a market economic model. In particular they are to regularly conduct unionwide and interregional wholesale fairs and auctions. A unionwide wholesale fair recently conducted in Donetsk was a "touchstone" in the process of creating a unionwide system of retail trade of the implements of production. Incidentally, an extensive list of future zonal wholesale trade centers (commodity

exchanges) and service centers for the preparation and delivery of products of higher plant readiness to consumers has already been determined—Moscow, Kiev, Minsk, Tashkent, Sverdlovsk, Khabarovsk and a number of other of the country's industrial centers.

Of interest in this connection is the categorical protest by the AUCCTU transmitted via TASS channels against plans for developing auction and commercial trade of consumer goods in the country. A government decision to organize the sale of a number of scarce goods by auction in 1990—fourth-generation color television sets, Minsk and Biryusa refrigerators, Volga passenger cars and a number of others—was the motivation for the protest. The trade unions had a negative reaction to the USSR Gosnab's intention to begin auctioning production and technical goods, provided by enterprises from their above-standard reserves of commodity and material valuables, to the population in the current year. They are also protesting the intention of the USSR Ministry of Trade to sell instant coffee, confectionery goods, cold-smoked sausage and other imported products as well as foreign-made knitted fabric and sewn articles and natural leather footwear through commercial stores. In the opinion of the AUCCTU expansion of auction and commercial trade would aggravate the already stressful situation in the consumer market and elicit the displeasure of laborers, while highly scarce goods will fall into the hands of dealers of the "shadow" economy and will never reach the common laborers.

Let's try to look at the situation without emotion. First of all, all of us know that there is no worthy alternative today to the market mechanism as a means of reconciling supply and demand. The times of leveling distribution have gone completely by the wayside. The government is at least taking real steps to revitalize the market. Second, even under the conditions of extreme shortages a market can be created if prices, finances and credit can operate. In the day before yesterday's issue of the newspaper we discussed efforts by the government to stabilize prices on goods for children and the elderly, and measures to enhance the social protection of the population against unjustified price hikes. A large group of goods sold today at socially low prices were taken under control with this end in mind. Add to this the measures directed against keeping inexpensive articles from being dropped out of production and against unjustified rises in prices on new goods and on socially significant goods.

The AUCCTU must be aware of all of this. As well as of the fact that limits have now been established even on contracted prices (besides on imported goods as well as on articles produced in the country with imported equipment and using imported raw materials). Nor is it a secret that the issue of organizing auctions and resurrecting commercial trade was raised on several occasions in the USSR Supreme Soviet during discussion of the plan and the budget for 1990. The deputies stubbornly sought even the slightest possibilities for increasing commodity resources and revitalizing the market. And when

the first steps were finally taken in this direction, another "categorical protest" followed from the trade unions.

We say "another" because the AUCCTU has already appealed to the government with protests, particularly in regard to a decision to raise wholesale prices on diesel fuel and the rates on freight shipments and electric power. As we know, the government itself postponed the time at which its decision was to go into effect until 1 April, and instructed the Ministry of Finance to determine a system of compensation to enterprises.

What can we say? Today, protests are a convenient, almost certain means of gathering political "dividends." What is rejected is unimportant: All that is important is to declare that we are against something. Unfortunately, steps of this sort cause even greater division in our society. Incidentally, as follows from the AUCCTU's declaration, it is not at all against the sale, by auction and in a network of commercial stores, of imported high-quality goods (radio and video equipment, motor vehicles, furniture, and especially fashionable types of clothing and footwear), luxury items, folk art and antiques. It is against the sale of widely used consumer goods at commercial prices. But are instant coffee and delicatessen sausage really in the same league?!

How do the Soviet people relate to the difficulties our country is experiencing today? Here are data from a sociological survey conducted in issue No 49 of *IZVESTIYA*. The largest number of respondents (33.2 percent) adhere to the point of view that the state is now in a position requiring our help, even going as far as some sacrifices. This state of social consciousness inspires optimism. However, judging from yet another ultimatum from trade union leaders, there are forces in the country that are not averse to destroying this optimism.

It does not at all follow from recent decrees of the government that it wishes to make numerous salable goods inaccessible "to millions of people." Exactly the reverse is true. And all of us citizens of the country must support these efforts. The intricate machinery of the nascent auction and commercial trade system probably needs careful tuning. But such problems must be resolved under the conditions of mutual understanding, and not of confrontation and loud protests, of incitement of unneeded passions.

AUCCTU Official Responds

904D0071B Moscow *TRUD* in Russian 21 Feb 90
pp 1-2

[Interview with AUCCTU Deputy Chairman Igor Yevgenyevich Klochkov by *TRUD* political reviewer V. Golovachev: "Trade Unions Against Price Manipulations: AUCCTU Deputy Chairman I. Ye. Klochkov on Auction and Commercial Trade"]

[Text] Recently the Presidium of the AUCCTU examined problems associated with organizing auction and

commercial trade of consumer goods in the country. Considering the serious negative consequences of the proposed means of trade to the population, the AUCCTU protested to the government, as was reported in the newspapers last Sunday. This step by the AUCCTU elicited different reactions in the mass media. In some of them the trade unions were accused of allegedly hindering creation of a market mechanism and of acting destructively. Such a serious accusation doubtlessly requires deeper explanation of the AUCCTU's position. In this connection, we turned to AUCCTU Deputy Chairman I. Ye. Klochkov for answers to a number of questions.

[Golovachev] Igor Yevgenyevich, the idea of auction and commercial trade was discussed in the USSR Supreme Soviet. Why is it that the trade unions filed a protest precisely at this time?

[Klochkov] Let me say right away that we have no objections to the idea itself of auctions and of commercial stores. This is truly an inseparable element of the marketplace, one which we cannot do without. But the entire matter rests with precisely how this idea is to be implemented in today's very difficult transitional stage. It has already been demonstrated several times that an instantaneous transition to market relations is impossible. This would lead to a social explosion that would mark the end of perestroika and of democratic transformations. This is why we need special skillfulness in order to guide our ship of the national economy through the reefs and rapids of the period of transition. Were we to analyze what is being suggested in this case in regard to organizing auctions and commercial stores, we would easily see the dangerous tilt. What form does it take?

Truth is concrete. Let's consider what goods are to be sold by auction. Basically, they are precisely the things which are objects of our daily life. Furniture, pillows, mattresses, sewing machines, radio equipment, refrigerators, color television sets, plumbing fixtures, linoleum, wallpaper, ceramic tiles, parquet flooring.... Garden sheds, plywood, wood chip panels, glassware, roofing, and garden and orchard tools—rakes, choppers, shovels—will also be sold by auction. Cotton and paint and other brushes are also in this category. And there are motorized bicycles, motorcycles, storage batteries and tanks.

The sample list of products sold to the public by territorial organs of the USSR Gosnab and by enterprises, associations and organizations through auctions (according to an appendix to the January decree of the USSR Council of Ministers) includes not only carpentry articles (doors, windows) but also, for example, gasoline. It would be easy to imagine a situation where state gasoline would be unavailable at the fuel pump while next door fuel purchased at an auction would be for sale at several times the price.

Protective overalls and personal protective resources are perhaps the culminating point of this list. Understandably not only ordinary customers but also enterprises will have to purchase these items at auction prices. But enterprises will have to do so out of their own funds! This means that there will be less money to maintain child care centers, to build houses and so on. Is this just? Would all of this not elicit mass displeasure?

[Golovachev] But the plan is to sell only products in above-standard reserves possessed by enterprises and organizations at auctions and in commercial stores, while the bulk of goods will still be sold at the usual prices.

[Klochkov] But who is going to monitor this? It would be far more profitable, after all, to sell a refrigerator for example by auction than in an ordinary store. This is profitable to the enterprise, to Gossnab's territorial organ, which receives 20 percent of the profit (the difference between the auction and the wholesale price), and it is advantageous to the local budget (10 percent of profit) and the union budget (50 percent of profit). That is, it is profitable to all except the customers—you and me.

It would be naive to believe that goods will not be shifted from ordinary trade into auction and commercial trade. All of this is clear even to the nonspecialist. By the way, Gossnab has already received an official assignment—to sell more than 3 billion rubles' worth of products by auction. In retail prices this may represent 10-15 billion rubles. In fact, however, considering the shifting of goods, it will be even more—who could possibly calculate it?

And consider this: Assume you need a paint brush or some other brush. If there are none in the store, are you really going to go to an auction just for a single brush? The people that will be doing the purchasing there will be wholesale "dealers." And then this brush would return to the ordinary customer at a price many times higher. Such a practice will doubtlessly give a new, powerful push to the development of the shadow economy.

[Golovachev] The Council of Ministers has published a decree on auctions. Has a decision been made on commercial stores?

[Klochkov] No, all that exists is a proposal from the Ministry of Trade. Here is what is on the list of goods that are to be sold in commercial stores: sewn articles from capitalist countries—coats, overcoats, jackets and tricot articles (sweaters, jackets), pantyhose, footwear.... Let me emphasize that no qualification is made that especially fashionable imported products will be sold. And as long as there are no restrictions, we can assume that the bulk of the imports will be sold through commercial stores.

I am not even talking about imported confectionery and tobacco articles, coffee, tea, cold-smoked sausage and so

on. Recall the time when expensive cooperative-produced sausage appeared in our country—seemingly to supplement that which was to be sold at ordinary prices. But can you really find much smoked sausage at other than cooperative prices today?

Especially fashionable Soviet articles are also to be sold in commercial stores. In a word, the list is extremely long.

[Golovachev] Have economists estimated what the prices will be in auctions and in commercial stores?

[Klochkov] Of course such calculations were made. Prices there will possibly be not 10 or 20 percent but 300-500 percent higher than usual—that is, three to five times higher. If we consider for example just light industry articles, prices on them may be 1.5-3 times higher, and 2.4 times higher on the average. That is, women's boots may cost 350-400 rubles. In a word, prices will be such that these goods will become inaccessible to the common laborer.

Who is going to gain from this? First of all those who do not live from paycheck to paycheck. And of course, Gossnab and trade enterprises will supplement their budgets.

But what is going to happen with those who are barely making ends meet even at this moment—those tens of millions? What is going to happen to people with fixed incomes—retired persons and students? What is essentially being proposed today is speculation on consumer goods at a state scale, which will signify a swift increase in our cost of living. This will affect the daily interests of the broad strata of the population. This is why the AUCCTU filed its protest. Let luxury items, antiques, especially fashionable or prestigious imported goods, such as for example motor vehicles, folk art, designer fashions and so on be sold at auctions and in commercial stores. But when it comes to basic necessities, raising prices on them would be impermissible.

Of course, it would be simplest of all today to jack the prices up several notches, and goods would immediately appear on the store shelves. But this would only be an appearance of well-being. Because the goods would simply become inaccessible to the population. Commodity turnover will increase in monetary terms, but the pattern will be quite different in natural indicators. Moreover the appearance of positive changes would pay poor service—it would relieve the acuity of the problem of increasing production of consumer goods. But is this really a solution? No, the market needs to be saturated primarily by increasing production of goods, and not by inflating their prices.

I would like to recall in this connection that the government has declared on several occasions that no increase in prices on consumer goods and basic necessities will occur. But doesn't their sale in commercial stores and auctions essentially mean a rise in prices? This is why the Presidium of the AUCCTU, which was attended by a

large group of people's deputies and which foresaw the dangerous consequences of this step, would not agree with solving the state's financial problems by attacking the vital interests of the population.

[Golovachev] I would like to note that this is far from being the first protest. The trade unions are criticized for this as well. Here is what a recently published article stated verbatim: "The AUCCTU has already appealed to the government with protests, particularly concerning the decision to raise wholesale prices on diesel fuel and rates on freight shipments and electric power. As we know, the government itself postponed the time at which its decision was to go into effect until 1 April, and instructed the Ministry of Finance to determine a system by which to compensate the enterprises." As it turns out, the government *itself* resolved everything, and so the trade unions announced "another protest" without any special need.

[Klochkov] The manner in which the events developed was described in detail in the press, including by TRUD. The increase in wholesale prices on diesel fuel and the rates on freight shipments and electric power elicited serious social tension in the labor collectives, placing them in a complex financial position. It was precisely then that an interunion trade union commission consisting of both trade union chairmen and representatives of the labor collectives was created. The AUCCTU sent an official protest to the government on 11 January. Later the interunion commission set a deadline for a response from the government—5 February, after which many labor collectives were prepared to strike. On 9 February the Presidium of the USSR Council of Ministers examined the protest of the trade unions and satisfied their demand. Government representatives reported the results of the examination by the interunion commission and expressed apologies for being slow to respond. All of this is well known. Such that it is difficult to understand what the reporter had in mind when he wrote: "The government itself postponed the time at which its decision was to go into effect...." This is simply an unconscientious, biased presentation of the events.

[Golovachev] As long as the discussion has turned to this subject, let me touch upon one other accusation: It is said that all of these are "ultimatums of the trade union leaders," while the people are not really ready for any sort of sacrifices.

[Klochkov] Well, let's look at the facts again. Take for example the protest concerning the increase in certain wholesale prices and rates. The flow of telegrams and protests inundated not only the AUCCTU; they were also sent to the USSR Council of Ministers. Moreover the decision of a number of labor collectives to strike was postponed precisely at the initiative of the trade unions, which began talks with the government. Both this and other examples show that the protests of the trade unions reflect sensitive vital concerns and the sentiments of the broad masses, and one would have to be far out of touch with daily life not to notice this.

At any rate, these "labels" are not the main thing. Something else is more important: The position of trade unions defending the vital interests of the people became an irritant at one time. And yet, such conflicts between trade unions and the government are a normal phenomenon in a democratic state. It is precisely the trade unions that must be the constructive opponent of power. And not only at the top, at the government level, but also at the republic and oblast level. The search for consensus, for agreement—that is what can prevent social explosions like that which rolled across the country last year.

Trade unions expressing the interests of the broad strata of the population, free, independent, strong trade unions knowing the needs and sentiments of the people not from rumor but from within, must interact not only with organs of power but also on an equal basis with all social forces, including the party as well. This is a new element in the political structure of society, one which is firmly entering our life. And the trade union apparatus is not at all the main actor in this—it is simply fulfilling the will of the laborers, the population. An elected organ is at last beginning to work as it should.

[Golovachev] What do you see in the future as the mechanism for finding agreement and consensus between the trade unions and the government?

[Klochkov] A new form of mutual relations must be developed. I think that it would make sense to sign agreements, for a year period for example, between the government and the trade unions on the most urgent social matters: growth of prices and indexing of wages, prices on goods in the consumer's market basket, the level of unemployment and the guarantees of job placement, cross-training, social assistance and so on. Then we might possibly be able to avoid many of the conflicts, find compromises beforehand, and develop a path toward agreement. We are for constructive relations, for mutual understanding and agreement, but on an equal basis, and not at the expense of the interests of the people. The trade unions are becoming an influential force in society, the expressors of social sentiments, whether anyone likes it or not. This is something that we can no longer ignore.

FOOD PROCESSING, DISTRIBUTION

Trade Ministry Official on Food Hoarding

904D0127A Moscow TRUD in Russian 25 Mar 90 p 4

[Report on "mini-interview" with S.V. Vorobyeva, deputy head of Main Grocery Trade Administration of the USSR Ministry of Trade, by S. Kalinin; date not given: "Does It Hurt To Store More Than You Need?"]

[Text] Lately there has been a considerable increase in the people's interest in a number of groceries. That can be said mostly about various types of pasta, cereals, flour, and so forth. We can also mention here tea and coffee,

animal fat, and vegetable oil. As they say, "It does not hurt to store more than you need"; but still... Is it worth buying such huge amounts of food? Can these products be kept for a long time? I asked S.V. Vorobyeva, deputy head of the Main Grocery Trade Administration of the USSR Ministry of Trade, to answer these questions.

[Vorobyeva] Of course, one can understand the people who are buying big amounts of the basic foods. They are trying to stock up on groceries at their current prices. Now, the period for which they want to stock up is another matter. If they want to have enough for two, three, or five years, then, as an expert, I must say that it is totally unreasonable. Most of the groceries will just spoil, because their expiration dates do not go beyond a year or six months, if that long.

[Kalinin] This means that the hoarders do double damage: first to themselves as they spend their hard-earned money on foods that are going to spoil. Naturally, they also hurt all the rest of us because they exacerbate the shortages.

[Vorobyeva] Definitely. Judge for yourself: According to current regulations, unflavored pasta can be kept for a year; if it has additives like eggs, cottage cheese, milk, or vitamins it can be stored for six months. After that time, the products deteriorate in taste and appearance; they can acquire an unpleasant odor and even get infested with meal moth, flour beetle, etc. The same can be said about flour and cereals. State specifications do not define storage periods for most of these (except a four-month period for oat flakes), but I can assure you that you cannot store these products correctly for a lengthy period in your house. Let us take butter, for instance. It cannot be stored for longer than a year from its production date even, as a single block (one full box), and that should be done at temperatures below minus 18.

[Kalinin] What other groceries cannot be stored for a lengthy period?

[Vorobyeva] I would like to mention here tea and coffee. The former loses its aroma after a year and its taste also deteriorates. After that it can get moldy. In other words, it will be a straw brew and not tea. As for coffee, the storage time is even less. So before you stock up on something think again and do not waste either your money or the foods.

GOODS PRODUCTION, DISTRIBUTION

'Zenit' Plant in Tashkent Producing Consumer Goods
90UM0392C Tashkent PRAVDA VOSTOKA in Russian
25 Jan 90 p 2

[UzTAG report, Tashkent: "Over to Peacetime Production"]

[Text] The Zenit plant of the Fizika Scientific Production Association, previously a closed enterprise specializing in the production of items for defense equipment,

has totally switched to producing equipment for the radio and electronics industry and scientific research institutes.

It also produces a large range of consumer goods. Its children's bunkbeds, foldup desks and electronic alphabets (Russian-Uzbek and Uzbek-Russian), collapsible dryers, electric bells and theft-prevention devices for motor vehicles are in great demand.

Technical agreements have been signed between the Zenit and the South Korean Goldstar company for the production of video players and Goldstar-Zafar video recorders.

Goskomstat Reports Speculators Flourish

904D0123A Moscow EKONOMIKA I ZHIZN
in Russian No 19, May 90 p 18

[Article by M. Panova: "Speculators Are Growing Rich"]

[Text] Speculation is a triumphant evil of a consumer market short on goods. The boom in speculation is generating increasingly larger numbers of both merchants and customers. The former cannot resist the temptation to make fast and sizable gains, while the latter are literally forced into a corner by the growing shortage of goods. The shortage and rationing are creating a situation where the profiteering speculator is viewed as a benefactor and savior to a person made desperate by the impossibility of buying what he needs. And in fact, to whom are you going to go when suddenly your iron, vacuum cleaner or refrigerator breaks down irreparably? When you don't have the time to stand in lines for clothing and footwear? As a result, hard-earned money winds up in the pockets of middlemen and speculators, of those who have access to the goods distribution and storage "points."

An impression of the scale of the problem and the harm inflicted upon the society's economic and moral health by speculation may be arrived at by analyzing the materials of a special study conducted by the USSR Goskomstat [State Committee for Statistics]. The influence of the goods shortage on the family budget was studied. A selective survey conducted in January-June 1989 covered 90,000 families managing their own budgets.

It was found that two-thirds of the families use the services of speculators offering goods for resale. In 1989, people having dealings with them lost an average of 60 rubles per family. And in Georgia, such losses were 140 rubles, and around 80 rubles in Turkmenistan and Moldavia.

Structure of Purchases of Individual Types of Nonfood Goods, in Relation to Sources of Their Acquisition Outside the State Trade System (Percentages)

	Total Purchased From Private Citizens and Workers of Cooperatives	Including				
		In a Coopera- tive	From Persons Involved in ITD (not further identified)	In the State Trade System and Making an Overpayment to the Seller	From Private Citizens Not Involved in ITD	
					Total	Including With an Overpay- ment
Total nonfood goods	100	23.1	4.3	10.0	62.6	32.2
Including:						
Fabrics	100	1.4	0.3	9.6	88.7	56.4
Knitted fabrics	100	31.0	8.7	2.6	57.7	31.9
Footwear	100	38.8	2.9	6.5	51.8	36.8
Clothing	100	35.7	7.5	5.7	51.1	30.3
Cultural goods	100	6.8	0.3	20.6	72.3	30.0
Household appliances	100	1.7	0.3	33.0	65.0	29.3
Furniture	100	8.4	1.8	51.4	38.4	14.0
Perfumes and cosmetics	100	4.1	0.1	3.0	92.8	50.8
Construction materials	100	9.7	1.6	17.6	71.1	50.0

According to calculations, the profits of speculators from the resale of nonproductive goods were 1.3 billion rubles in 1989. The amounts contributed to this total profit of dealers in the "shadow economy" were around 350 million rubles from the resale of clothing, 250 million rubles from the resale of footwear, 110 million rubles from knitted fabric articles, 100 million rubles from perfumes and cosmetics, and 90 million rubles from the resale of construction materials. In addition, sales of goods through the state trade system in which overpayments were involved earned around another 180 million rubles in profits. But the losses are not just monetary, after all. The collapse of the consumer market is turning customers into the accomplices of speculators and hooking them into a vicious circle in the purchase of basic necessities. The moral losses are noncommensurate with the economic losses, and they are capable of generating new economic crimes.

PERSONAL INCOME, SAVINGS

Goskomstat Officials Report on Price Increases, Spending, Wages

904D0124A Moscow SOYUZ in Russian No 19, May 90
pp 4-5

[Article by Aleksandra Zaytseva, chief of the Trade and Services Statistics Administration of the USSR Goskomstat, and Vladimir Guryev, deputy chief of the USSR Goskomstat]

[Text]

In the Mirror of Statistics

The consumer market is becoming depleted, confirms Aleksandra Zaytseva, chief of the Trade and Services Statistics Administration of the USSR Goskomstat.

Inflationary tendencies have intensified in money circulation. In statistics, beginning in 1989, an index based on recording of prices for representative goods is being calculated in order to objectively determine a real change in prices. It reflects not only price changes made legislatively, but also the introduction of temporary contract prices, the appearance of new types of products, and other changes. It takes into account the influence of changes in sales volumes of goods through various channels: in state trade and networks of city cooperative trade organizations, cooperatives, and individual labor activity stalls. This index is built on the basis of materials from a monthly recording of prices of representative goods for 650 positions.

Calculations of the consumer price index showed that for goods sold through the network of state and cooperative trade, prices increased an average of 1.6 percent in 1989 compared to 1988. Counting the products of cooperatives and individual labor activities of citizens, where prices are higher than state prices by a factor of 1.7-2, the price index was 102 percent.

Prices increased for virtually all nonfood consumer items, but they fluctuated quite a bit for certain products. For example, the price level for rugs, school notebooks, paper and office products, music goods, sporting goods, radios, and thread in 1989 was 0.2 to 1.2 percent above the 1988 level. The price increase recorded for clothing, linen and knitted wear, and leather footwear was 4 percent. This is linked to the expanded use of contract and temporary prices and to the setting of higher prices for so-called new products: they practically do not differ in quality from available cheaper products. On the whole, the price index for light industry goods was 103.5 percent in 1989 compared to 1988.

Prices for synthetic detergents were 4 percent higher in 1989 than in 1988; this was affected by the large amount of expensive laundry detergent imported. For durable goods, the price level was also higher than in 1988—by an average of 2 percent. However, this increase was 3.6 percent for furniture. Prices for printed products were also 4.5 percent higher, mainly for books.

Prices for foodstuffs increased an average of 0.7 percent. Prices for the majority of food products remained unchanged for 2 years (1988-1989), in particular, for all types of meat products, fats, fish products, dairy products, eggs, sugar, and bakery goods.

At the same time, the price increases were quite noticeable for potatoes—13.2 percent, vegetables—6.1 percent, and fruits (including grapes, citrus, watermelons, and muskmelons)—11 percent. This was affected by the granting agro-industrial organizations the right to set prices based on contract purchase prices.

In the Language of Intrepid Figures

We are still living differently, attests Vladimir Guryev, deputy chairman of the USSR Goskomstat.

Composition of Total Income of Families of Workers and Employees and Its Use

	1985	1989
Total income per family member per month, in rubles:	135	159
Including, in percent:		
Wages of family members	79.2	79.1
Pensions, stipends, benefits, subsidies	9.6	8.9
Income from private subsidiary farm	3.3	3.3
Income from other sources	7.9	8.7
Family expenditures in percent of total income:		
For food	33.7	32.2
For nonfood consumer items	31.0	31.3
Including:		
Fabric, clothing, footwear	18.1	17.1
Furniture, cultural and household products	7.1	7.7

Passenger cars, motorcycles, bicycles, etc.	1.6	1.9
For alcoholic beverages	3.0	2.8
For cultural and domestic services	10.1	10.1
Including payment for apartment, utilities, and maintenance of one's own home	3.0	2.9
Taxes, duties, payments	9.4	9.7
Other expenditures	5.1	5.1
Family savings (increase in ready cash, deposits in institutions of the Savings Bank, and others) in percentage of total income	7.8	8.8

The average family size of a worker or employee is 3 people, and the average number of workers is 1.7 persons per family.

The total family income includes wages, pensions, stipends, benefits, and other receipts from social consumption funds counted in the family budget, and monetary and other receipts from private subsidiary farms, garden plots, and dacha plots.

Wages are the main source of income of a worker's family. Between 1985 and 1989, the wages increased from 190.1 to 240 rubles per month.

Distribution of Workers and Employees by Amount of Wages (according to data of a one-time sampling survey of 310,000 families; in percent of total)

	1984	1989
Total who worked the full month	100	100
Including with wages of (in rubles):		
less than 80	4.8	2.8
80-90	8.3	4.9
91-100	5.9	3.8
101-120	12.6	8.8
121-140	11.6	8.7
141-160	12.4	10.4
161-180	10.9	10.2
181-200	8.7	9.3
201-220	5.7	6.9
221-250	6.7	9.5
251-300	6.1	10.6
301-350	2.8	5.6
351-400	1.5	3.3
over 400	2.0	5.2

The differentiation in the wage level of workers remains substantial. This is largely associated with the differences in education and qualification of the workers. According to the survey data for March 1989, among workers and employees earning less than 80 rubles per month, 80 percent do not have a specialized education; among those earning more than 300 rubles per month, almost half have a higher or specialized secondary education.

Amount of Food Products that Can Be Bought for 10 Rubles in the USSR (in kg)

Rye bread	45.7
Wheat bread	32.1
Rice	11.4
Millet	33.3
Buckwheat	17.9
Sugar	11.7
Milk	31.3
Butter	2.9
Vegetable oil	6.4
Beef	5.0
Lamb	5.3
Sausage	3.8
Fish (cod fillet)	13.0
Potatoes	58.5
Fresh cabbage	59.2

Men with a higher education earn 12 percent more than those with a secondary education and 25 percent more than those with a primary education. For women this difference is even greater and reaches 30-40 percent.

The difference in wages for men and women remains considerable. Among workers and employees who earned less than 100 rubles in March 1989, 75 percent were women and only 25 percent were men. Among those who earned more than 300 rubles, only 22 percent were women. This is linked to the fact that women work mainly in sectors of the nonproduction sphere, where wages are considerably lower than in material production sectors.

The top wage is achieved by workers between the ages of 30 and 50: 250 rubles for men and 190 rubles for women. Under age 25 the average wage for men does not exceed 190 rubles, and for women does not exceed 140 rubles.

UzSSR Unemployment Situation Examined

904F01634 Moscow TRUD in Russian 12 May 90 p 2

[Article by special correspondent O. Osipov: "Employment: Myths and Reality—Does Uzbekistan Have Work for Everyone?"]

[Text] All lines are degrading, but lines for work are especially absurd under our conditions. At least because many standing in them could be put to work manufacturing that which people are seeking in other lines. And if it is true that as many as a million persons are languishing with nothing to do just in Uzbekistan alone, as was announced from the podium of the Second Congress of USSR People's Deputies, it is time to shout (and I mean shout) "Guards!". Though it might not be a bad thing to clarify who these people are, and why they can't find something to do with their hands.

Figures are one thing, while a real person is another. It's not all that easy, it turns out, to find someone who is "100 percent unemployed." Could such a term be applied to a nonworking mother of a large family? Or a seasonal worker? Or a person swinging a scythe from dawn to dusk on his private plot? These are, after all, some of the people making up that same million (800,000 according to other data). But no one really knows how many of them there are, even government officials. Only now are we beginning to develop a state republic program to account for labor resources with the goal of employing them fully; this is why the name "Employment" was given to this program. And only its implementation can help us place specific and all-embracing statistics—an analytical foundation so to speak—beneath today's statements concerning unemployment.

Nonetheless, an unemployed worker was "found" for me with considerable difficulty and with visible relief in the Lenin Yuly Kolkhoz, Srednechirchikskiy Rayon, Tashkent Oblast: Dilfuza Dzhunusbekov, a graduate of the Bukinskiy Tekhnikum of Agricultural Mechanization. She has now been seeking employment for several months. But she has been able to find it so far only in the private sector.

The five-room Dzyunusbekov home and its allotment of eight hundredths spreads over a large area in the vacation zone on the shore of the Tashkent Sea. The carefully pruned peach trees have already erupted with bright flowers, lettuce is maturing in the plot between them, and a second-hand Moskvich stands abandoned in the alley. We engage the woman of the house in conversation—Roza-Apa, using the form of address commonly employed here when speaking to the senior generation. We learned that Dilfuza was not at home. Why not, she didn't say and I didn't ask—she was out looking for work, or at the market selling greens, or something like that.

Roza-Apa and her husband Ravil have eight children, of which none are working at the moment. The elder son is

in the army, and the younger children are in school. The woman of the house works as a guard at the local factory, and receives 120 rubles a month. Her husband is also a guard, in the vacation zone, and his pay is even lower—70. Clearly you simply can't keep a large family going on such money. Their "official" jobs are only a guarantee of social security in their old age. But what do they live on?

"On income from the garden, of course," said Roza-Apa. "We sell greens, garlic, tomatoes, peaches.... We also have a cow."

"Is it enough?"

"Not always, sometimes we have to borrow. Take meat for example. You can't buy it in the store, and so you're forced to get it at the private market for 5 rubles a transaction. But we eat it every day—otherwise, how could we work? I bake my own bread. On the whole, the garden plot is the only thing that saves us. And when our son returns from the army, and gets married, we will have to build a house for him, but they won't give us any more land."

"But if you were given 25 hundredths, would you be able to feed yourselves?" I asked this question because the Uzbek government has adopted a decision to provide allotments of 25 hundredths of a hectare to anyone who wants the land. Though of course, there are many places where this is impossible to do.

"If they were to give us the land, we would be able to support ourselves completely, that's for sure."

"And what about the kolkhoz, would you want to go there?"

"If it's for 180 rubles, which is what I was offered, no. It would be better to work my own plot and live in my own home. And the children need to be raised as well."

Consider this: Officially the husband and wife earn 190 rubles together—that is, it comes out to 19 rubles a month for each family member (plus small allowances for the children). Does this mean that they are living below the poverty line? We can see that this is not so. Our statistics still account only for earnings paid by the state or a cooperative. I wondered in this connection if the Dzhunusbekov family wasn't included in the 9 million residents of Uzbekistan in relation to whom M. Mirkasymov, former chairman of the republic's Council of Ministers, said at the Second Congress of People's Deputies that they "possess a per-capita income of less than 75 rubles, which is below subsistence level." So should we perhaps give them their land and their freedom, as they say, and then less would have to be provided by the union government, which isn't all that rich anyway?

There is probably something else that we should do as well. Subtract from the million mentioned above the hundred thousand "unemployed" who work private plots and thus maintain their standard of living. But

invariably under one condition: They must all be guaranteed social protection in old age. This could be done for example by means of special retirement contributions.

In contrast to the Dzhunusbekovs, the position of A. Ulzhayev's family in Oktyabr Kolkhoz, Naryn, Namangan Oblast is less enviable. This is not the first year that this 36-year-old tractor driver, who has a wife and five children, is making ends meet with seasonal wages. Last year he grew 4 hectares of cotton on the basis of a family contract. This year, following the rules of crop rotation, corn was planted on the land, and Abdugaffar's name went on the unemployment list.

One way or another, the Ulzhayevs are able to make it owing to a private plot (it is small though—just four hundredths, and three walnut trees), and owing to temporary work in housing construction brigades. The head of the family is forever pleading with the board to give him and his wife 5 hectares on which to grow cotton. But all he gets are rejections—there is no free land.

We should note that in many of the republic's farms, the government decision to allocate 25 hundredths is being implemented only half-way: First of all, the land is being provided in relation to its availability, somewhere around 12-15 hundredths per farmer, and secondly, the land is usually in areas subjected to crop rotation. That is, every year the crops are grown in a new place, and there is no place to erect a permanent greenhouse, and there is no reason to make the needed land improvements—everything would be taken away anyway. Moreover, the simple arithmetic approach—taking the land and dividing it up—would not produce the desired results either. So what is to be done?

As it turns out, the ways of solving the problem are not all that limited. To persuade myself of this I had to travel outside of Uzbekistan—a trip I will describe in a later article. But what we would have to do is **restructure the economic mechanism and the system of economic relations** not just in words, but in deed. Which, judging from everything, is something people in the republic are not very eager to do for the moment, since they can count on subsidies from central authorities to create new production operations, and consequently new jobs, and for unemployment assistance.

Let me make this qualification: **New jobs are in fact needed**, especially in the republic, where population growth is three times higher than the country average. But financial injections alone, without thoughtful steps being taken locally, and mainly without **emancipation** of the people, will provide nothing.

Let's think about a certain paradox of "developed socialism," one which I believe is a cause of social tension—unemployment in the presence of a major shortage of food, goods and services. I may be naive, but this is something I can't understand at all: Why are there free hands, and masses of people desiring to acquire the things that these hands could make, but they are not

making anything? There is something out of joint about the socioeconomic situation.

Certainly when too much of everything is being produced, when there is stiff competition and when one must fight for a place in the market, you could imagine that bankruptcy might occur, that enterprises might close and that working people might lose jobs (though they would be able to find others). But when there is a total shortage, when there is no competition, and when the market recalls an Asian desert, can there really be no work available for the people? Beyond all doubt, there are things for them to do. But that same infamous bureaucratic apparatus, that stagnant economic system still blocks their path to employment.

The problem lies not only with the restrictions on the freedom of private farmers but also, for example, in mistakes in distributing productive forces. In some oblasts of Uzbekistan, after all, an acute manpower shortage is felt, even in rural regions—in Syr-Darya, Kashka-Darya and other oblasts. It appears that we need to organize resettlement of the people, with regard for their wishes. Such a step was undertaken several years ago and with considerable pomp at that.

"And it ended, mildly speaking, in failure," asserts Uzbek SSR Trade Union Council secretary B. Yusupov. "Because they began resettling people with no preparations for this at all. Persons arriving in new places found themselves in hard social and personal conditions, and each home had to be occupied by several families. They waited around a long time for improvements, and then they gradually began returning to their former homes. Of course, things weren't like this everywhere. Many took root in Fergana Sovkhoz, Syr-Darya Oblast. In other words if the proper conditions are created for resettled families, if this matter were to be resolved comprehensively, a sizable employment reserve could be created."

The second facet of the problem is the flow of the population from the countryside to the city, which is of such great importance in the Asian republics. A 57-percent rural population in Uzbekistan is excessive even by the yardsticks of our country, with its devastated rural economy.

In the meantime only nine out of every 1,000 persons migrate annually in Uzbekistan. For comparison the figures are 45 in the RSFSR, 37 in Belorussia and 33 persons on a country average. I have spoken many times with young rural inhabitants: The overwhelming majority of them wished to move to the city, where as we know, "Help Wanted" signs are plastered on every lamp post. Many gifted, intelligent people who would prefer to work in urban occupations and who would become qualified workers, engineers, scientists and writers could be found among rural boys and girls freed from work in the cotton fields and the family garden plot, and from many hours of tedium at the markets. But their road is blocked by virtually insurmountable obstacles—the registration regime, the occasional impossibility of

acquiring a desired occupation, legally questionable and outright illegal restrictions imposed by local authorities out of a lowly desire not to burden themselves with "extra" baggage.

The typical picture is like this: In Fergana Oblast there are over 7,000 unfilled jobs in industrial production. And strange as this may seem, their number is not decreasing but increasing. Just in 7 months of last year, following the Fergana tragedy, around 16,000 persons left the oblast—primarily people of the Russian-language population, qualified workers and specialists. And there is practically no one to replace them with. One of the reasons is that only one out of every five of Uzbekistan's vocational-technical schools trains workers for modern industrial occupations. The obvious question is this: Why teach the mechanic's trade to persons such as D. Dzhunusbekova if she is doomed to languish for months at a time without work? Wouldn't it be better to give her a different specialty?

In Namangan Oblast, where a job was refused to tractor driver Ulzhayev, the picture is even stranger. According to data of the oblast employment, retraining and occupational orientation center, there are now 1,155 persons on the unemployed list. But there are 1,302 unfilled jobs in the oblast. The personnel shortage is especially acute in construction and light industry. That is, in sectors not requiring any special retraining. On the other hand, those desiring work are few in number for two reasons once again—moving one's family is disadvantageous and extremely troublesome.

Tashkent has gone the farthest of all in terms of all sorts of restrictions. Until recently one could register here only if housing space was available. But now even this is impossible. An enterprise that invites a "foreigner" to work for it is obligated to pay the city executive committee 16,162 rubles. Moreover a person can get a job here only if he is a suburbanite lucky to be living not more than 25 kilometers from the city. These are truly Draconian rules, ones which you won't encounter even in Moscow, which protects itself so fiercely from immigrants. All of this might have been explainable in some way, were there a labor surplus in the capital of Uzbekistan. But according to data of 1 February of this year, there were 8,650 unfilled jobs in Tashkent. Just the Glavtashkentstroy—and it is concerned primarily with housing—is experiencing a shortage of 1,600 workers. It should also be considered that at the beginning of the year the number of vacancies is always lower, with the annual average of unfilled jobs in Tashkent being 10,000-12,000.

Even so, judging from official data there is unemployment in the city. Women employed in housekeeping make up 66.6 percent of this quantity. The rest are either temporarily unemployed, or young people not in school and group III invalids, or simply parasites.

The authors of the prohibitive instructions and decrees will doubtlessly find thousands of excuses—from references to the low level of development of transportation and the housing shortage, to the complex ecological situation. But even these problems require an additional inflow of people for their solution. Moreover the capital is not the only city with this problem. There are many others in Uzbekistan, including small cities and settlements, in which it is no less difficult to find a home.

Owing to the "diligence" of the bureaucratic command apparatus the picture sometimes becomes simply befuddling. Take for example the fact that almost a third of the vegetable crop perished last year in Srednechirchikskiy Rayon, including 8 tons of tomatoes—the transportation and manpower to move them out were lacking. The state cannot guarantee their marketing, consumer cooperatives are practically nonexistent, and intermediary and trade-purchase cooperatives have been abolished. Even though they did at first help out not only private farmers but also kolkhozes and sovkhozes. And they employed hundreds of people. Should they all have been cut with the same comb? Isn't it time to seriously think about commerce—competitive, and not monopolistic—and distance ourselves from the unworthy habit of looking at a ruble in someone else's pocket as a personal insult?

Let me recall that cooperation was conceived in our country not only for the sake of saturating the consumer market with goods and services as quickly as possible but also as a sphere of application of the effort of labor resources freed as a result of economic reform. Therefore, why has the Presidium of the Uzbek SSR Supreme Soviet adopted the ukase "On Prohibition of Some Forms of Cooperative and Private Labor on the Territory of the Uzbek SSR" when there seems to be a manpower surplus even without the reform, according to the republic's own leaders? This ukase increases the length of that same absurd line of a million unemployed mentioned at the beginning of this article. Still, even in Uzbekistan itself, there are many who think and act without direction from above, providing people with work. But more about this in the next installment.

Vorkuta Mineworkers' Organization, Motives Criticized

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[Article by correspondent Yu. Belyayev: "Vorkuta: Spring 90"]

[Text]

Why Are Miners Restless Again?

The mine "registered its awareness" of Yevgeniy Alekseyevich Tereshchenko in a memorable way. A novice riveter decided to take a joyride on the conveyer belt, but in a steep stretch a chunk of coal broke loose and struck him in the face.... I wouldn't have wanted to recall that, but the analogy is painfully close. He had served as city

party committee first secretary for barely a year. He was elected to this post in hard times, in the crucible of an extraordinary city party election conference. He was elected when the conference swept away all alternative candidates one after the other.

So who is this Tereshchenko? Twenty-one years of work underground. He graduated from all of the miners' universities, and he knows the needs of the miners from A to Z, as they say. His last place of work was as personnel and personal affairs director of the Vorkutaugol Association. And still it is being said of him that his presence in the city committee is just a matter of luck.

"I'm not about to gratify myself for others with advances. Nor am I about to disown luck," was Yevgeniy Alekseyevich's line of reasoning. "Earlier I intended to drop my candidacy. In two years I retire, you see. But the times are such that personal desires have to be laid aside. I love to work with people. To focus different points of view in the interests of the work. I feel that I am free of dogmas, and I don't make taboos out of instructions. I am ready for hard work. I have a certainty, based on life's realities, that the party will experience a rebirth as the voice of the people's interests in its best qualities. Otherwise, it wouldn't make any sense to get involved."

To "get involved" in Vorkuta's problems, to envision the paths of their solution, to assume responsibility for words and deeds, one must be a Vorkutan to the marrow, as they say. Recall last year's mineworkers' strikes. The blast furnaces and thermal power plants found themselves on starvation ration, partners in metallurgy were thrown in disarray, and apartments grew cold....

Astounding metamorphoses occurred in people who came here to learn for themselves what is happening in Vorkuta. Perplexity was supplanted by confusion, and confusion by indignation, though now in defense of the miners. Beautiful is the capital of the Arctic, but more shameful than infamy are the mineworkers' "Shanghais," in which a third generation of coal miners now lives. Here as everywhere else, we find children to whom not only the very best but even the necessary is often unavailable. One fur jacket for 3,000 children. They used to ship juicy apples to the North, but now even dried fruit is unavailable, even for children and the sick. The people's patience is truly boundless. But there comes a time when.... A wave of demands crashed into the offices of the bureaucrats, and the city committee was drenched by an icy shower of mistrust.

"Last year's events," Ye. A. Tereshchenko continued his monologue, "clearly showed that the administrative-party structure is divorced from life, that it is unaware of the local state of affairs. We were always assured, you see, that we could never have anything like Chernobyl or strikes. And suddenly all of this came about.... I have always said and will continue to say that the July strike was but a storm warning. A lull has now settled on the

city, the range of opinions concerning the probability of another wave of strikes is from 0 to 100 percent, and this uncertainty is troubling."

It would have seemed that USSR Council of Ministers Decree No 608 addressed all of the needs and aspirations of the country's miners. So why are mineworkers restless again? Are we really to witness confrontation and an agonizing search for agreement once again?

"I feel certain that there are no economic grounds for resuming the strikes," said Tereshchenko. "Let's consider what progress has been made. The journey that you made gratis from the mine shaft to the longwall and back is now something mineworkers are paid for, which represents 55 rubles of the monthly structure of a miner's wages. Pay for working in the night shift was increased by 26 rubles, and the regional coefficient was raised by 30 rubles. Meaning that while it costs the country billions, the miners did get something for it. Miners are impatiently awaiting enactment of laws on pensions and leaves, the drafts of which account for their demands. Mineworkers have also been granted some more freedoms. Thus the disciplinary regulations, one of the clauses of which allowed the administration to dock the pay of objectionable workers, were repealed. Of course, a drop in discipline did follow, and this has already cost human lives.... 'Serfdom,' under which a miner who quit had to begin accruing time to qualify for extra Northern pay all over again even if he moved to another mine, was eliminated. Miners are also free to establish a common day off. The Vorkutaugol Association was granted the right to sell, including for export at commercial prices, coal extracted in excess of state orders, assuming 100 percent fulfillment of delivery obligations. The same right, by the way, is possessed by every mine that has been granted total economic and legal independence."

Power in the Vorkutaugol Association now belongs not to the general director, who used to be approved by the Ministry of the Coal Industry just yesterday and who wielded imperial authority, but to a newly created directors' council. It has already hired an executive director, and it implements all policy—investment, construction, social. The council's sphere of influence—in mandatory partnership with the council of representatives of technical supervisory services of the enterprises—extends essentially to all of a miner's life, from his work station to his apartment, the school classroom and the day-care center. Greater democracy has been injected into solution of current problems, but responsibility has also increased as well, since it has become harder to lay blame on "the General" and those above him.

It would take much more newsprint to list the items checked off as completed. And the USSR Council of Ministers decree on socioeconomic development of the Pechora coal basin in 1991-1995, adopted at the end of February, once again persuades us that the voice of the mineworkers has been heard.

Nonetheless, after the euphoria raised by the rallies passed, and the time came to reckon the losses, we learned that millions had been lost. As an example the collective of the Severnaya Mine had to take out a bank loan of 10,000 rubles to pay for Women's Day celebrations on 8 March. Much more will be needed to make up the losses and replenish the funds. And not through loans, but by means of our own work. Are those who are directly or unwittingly encouraging miners to participate in new strikes taking this into account? For example, V. Shurko, the chief engineer of that same Vorgashorskaya Mine, who sees the possibility of a new strike as absolutely certain, is not an enemy of the mine. Yes, things are difficult for the mine today. It is engaged in a difficult "divorce" from the association. But this "divorce" is not the reason why almost entire shifts are already being kept from going underground.

As it turns out, there is no place to deposit the extracted coal. The storage site is once again filled to capacity. And this is not just the Vorgashorskaya Mine's problem alone. Over a million tons of Vorkuta coal are lying in piles, at the same time that consumers are sending telegrams in mounting anxiety. There is a catastrophic shortage of empty rail cars. Even to ship the planned extraction volume, not to mention coal for export and contracted deliveries. All of this is what is raising the temperature of the impatience of the mineworker collectives.

The Zapoljarnaya Mine did not strike a single day. The workers had enough common sense not to destroy with their own hands what had been created with such hard work. Afanasiy Vasilyevich Prasolov, who was summoned by the collective to lead the mine, has had almost more than he could take. He angrily slapped the mountain of paperwork on his desk with his meaty hand:

"We voluntarily accepted the state order—there was nothing else we could do: The country needed the coal, and the miners needed the wages. We work voluntarily on days off in order to fill export deliveries, the profits of which we will use to buy consumer goods. Coal ready for shipment is just lying there. We've been knocking on the capital's doors uselessly for four months already, and no one can explain the red tape involved in drawing up the licenses: The Ministry of the Coal Industry passed the buck to the Council of Ministers, the latter did so to Gossnab, and the latter to the MVES [Ministry of Foreign Economic Relations]."

And this pain is suffered not just by Zapoljarnaya alone.

There is little reassurance in the conclusions arrived at regarding a large number of clauses of decree No 608, the deadline for enactment of which has passed, and implementation of which is on the skids. There are many such clauses. What is to be done?

Some feel that we need to substantially revise the decree. It's no secret, after all, that a number of the clauses written into it were accepted in response to pressure from the strikers, without sufficient grounds, analysis and consideration of the country's possibilities; this

means that any further ultimatums won't be able to solve all the problems anyway. Others feel that the commissions and working groups created to monitor and organize fulfillment of the decree need to exercise more fully the right granted to them to punish officials guilty of delays in meeting the prescribed targets.

Probably both things need doing. Also, we need to implement the Law on Property Ownership more actively at the longwalls, lease the mines out, issue shares, and so on—the bank of creative ideas is growing fuller with every day.

What Does the City Committee Understand Its Role to Be?

The incapability of a party member to influence the life of his organization and the day-to-day realities of life is the feeling that perpetually dominated the conference. Is something being done to surmount this feeling? This question was asked of Ye. A. Tereshchenko.

"A commission to determine the tentative composition of the new party city committee was created on the initiative of communists back before the conference. And it must be said that it worked like a good concentrating factory. Not all candidates from the primary organizations made it through the committee, but the people that were selected were reputable. Four commissions were created out of the plenum's 103 members: ideological, socioeconomic, internal party life, and social justice. It is these committees that are saddled with the main burden of concerns. They are seeking out the sore spots of life, they are drawing up the work plans of the city party organization on the basis of the revealed problems, they are seeking ways to solve them, and they are bringing matters up for discussion at the bureau. When agreement cannot be reached at the bureau, we continue the discussion in the plenum. It is the court of last resort. Concurrently, we created a council of primary party organization secretaries consisting of 205 persons and possessing a direct line to the commission. Then there are the 35 persons in the inspection commission. Our hope is that such a wide swath will allow us to pick up more responsively on many of the things that had not attained the threshold of hearing, glasnost and action before."

"But that's not all. We rejected the standard city committee structure, reducing it by another eight persons and eliminating the departments. What we need today is a strong ideological corps, our own press center and press organ, and our own sociological service, all of which should be equipped with computers, duplicating machines and video recording equipment. We also created a group of party organizers."

"We rejected interference by the city committee in the business activities of enterprises and their leaders. We rejected any kind of nomenclatura, and by decision of the bureau we no longer sanctify the work place of a newly elected director. I think that in the future this will be the prerogative of the executive committee. We put

the problems of party admissions and expulsions completely in the lap of the primary organizations.

"In short, if I were to describe it all, I would have to completely retell the program of action of the city party organization up until the 28th CPSU Congress, adopted by the conference. Its basic idea is to unify the efforts of those who feel themselves to be proponents of decisive perestroyka, those who wish to participate actively in the development of democracy locally.

"Let me share some of my observations. During the July strikes, members of the strike committees were objects of adulation. Today they are often met with laughter. And as an example, Nikolay Terekhin at the Komsomolskaya Mine was almost dragged off the podium of the trade union conference. The people are tired of their efforts to poison their relationship with 'the authorities,' and they have become more sensitive to disinformation."

I was told by miners that the Vorkuta City Workers' Strike Committee (VGRSK) and the party city committee are pitted against each other with raised fists. It is simply impossible not to heed all of this today.

"We don't discount anything," Tereshchenko countered. "We might not like each other as individuals, and I, for example, still frown upon the banned tactics which the VGRSK engages in, scoring points in the political game. I talk with them openly. Why, I ask, is the letter S [Strike] in the abbreviation of your organization? You can't, after all, be on strike all the time, when we do have a law on labor conflicts. All I get in response is laughter.

"They are making claims on the highest control functions in the city, so that the city committee bureau, the city executive committee and the procuracy and its court would all be under their surveillance. But we have no intention of allowing rule by strike committees. On the whole, the situation is rather absurd. The core of the VGRSK is made up of mineworkers who are also members of the commission monitoring fulfillment of decree No 608. But no one is going to persuade me that they are doing this more professionally and that they are influencing its implementation more effectively than any of the other five or six fully competent commissions. Moreover, it appears as if monitoring functions *per se* are something secondary and even tertiary to the VGRSK, even though the mines are paying them monthly wages to perform such monitoring, and someone else is substituting for them at the mines and 'on the shovel,' someone else is installing the timbers and eating the dust. In the meantime, the strike committee is swiftly becoming politicized, and it has been taken over by ideologists, the logic of some of whom is based on a poorly concealed hostility toward the CPSU.

"Their attraction lies in the fact that they are more resourceful, more effective and more responsive than the official government structures, but they also raise concern, in that they are still trying to agitate the worker collectives with yesterday's phraseology. I feel that their

participation is very necessary, for example, in monitoring the distribution of scarce goods, but I cannot accept their persistent quest for 'compromise,' as if we all should be under the strike committee's microscope. They rail against existing administrative structures, and then go and create a parallel power structure that's a carbon copy of what they bring down and ridicule.

"I personally see it like this. There is a supreme organ of Soviet government in the city—the city soviet, which is supposed to have sympathy for everyone and which is supposed to possess sufficient resources to ensure that Vorkutans live in good apartments, breathe clean air and feel secure about their children. There is the director's council of the Vorkutaugol Association, which is supposed to become the main financial expert of Soviet government in the city. There is the party city committee, which brings together over 11,000 Vorkutans—tempered by the Arctic, tested by the mines, and burned by the strikes, people as passionate as they are reliable. And even in the strike committee there are people you would be ready to trust your life to. And all of us must have one point of intersection of aspirations—the people's interest. This point should be not at some distant horizon, but near the heart."

Will the NTS Help Perestroyka?

Yes, yes, I am referring to the People's Trade Union, which you couldn't possibly suspect of sympathizing with socialism, with our country, with our perestroyka. Why, then, would such a question suddenly arise?

The editor's mail is literally bristling with questions: What are we to believe in? Whom do we follow? Whom do we lean on? So many "leaders" have suddenly proclaimed themselves among the people that it is impossible to determine which of them is a real guide, capable of leading the ship of perestroyka through the reefs and shallows, and who is a false-Susulin who, the moment you turn your eyes away, will lead you into such a wilderness that it will take decades to find your way out. The people are possessed by doubts, though one would think that there are no mysteries here: We have the highway of perestroyka, we have a bearing on which to move.

The road is there, but in five years it's been chewed up badly by tractors loaded to overflowing with the legacy of stagnation. And then transverse to this road are international obstacles and separatist barricades. And in the meantime the people are being pulled in all directions. Anarchists, Monarchists, Cadets, Federalists, Russian Democrats, Christians.... Forgive me if I've left someone out—my eyes are blinded by the pluralism.

How on this political background do we assess the fact that the independent "Democratic Workers' Movement" organization established at Vorkuta's Vorgashorskaya Mine expelled NTS members Sergey Maslovich and Nikolay Terekhin from its ranks?

These are not unknown names. They were heard on several occasions on Voice of America and Radio Freedom during last year's mineworker's strikes. And not only as Johnny-come-lately correspondents for foreign radio broadcasting services.

Here, for example, is what that same "Voice of America" had to say about S. Masalovich:

"He was the organizer of strikes at the Vorgashorskaya and Komsomolskaya mines and the initiator of many appeals to the government. He did a great deal to establish ties with social organizations and trade unions of the USA and Europe."

The text of a certificate issued to Masalovich at the eve of a still-untaken trip to the USA was also cited:

"Appointed delegate of the strike committee of the Vorgashorskaya Mine and the workers' committee of the DRD [Democratic Workers' Movement]. We authorize S. Masalovich to organize collection of money and to open current and specific accounts, and we appoint him manager of collected money."

Remember that immortal utterance by Ostap Bender: "We'll get help from abroad!" There's some similarity here, isn't there? But there is something else about the workers' movement in Vorkuta and in other coal regions: This is not one of Bender's imaginary "Saber and Eagle Unions," but a force that all must reckon with—from the cook in the workers' dining hall to the union government. And the USSR Council of Ministers Decree No 608 fully reflects the correlation of forces. Sociologists confirmed in their time that four out of every five respondents trust their strike committees.

In those days when the Vorgashorskaya Mine was working toward reconciliation the organization DRD appeared. Its goal is to assist perestroika: "to protect the rights and interests of laborers," "to prevent labor conflicts escalating into social tension ..."

It would all seem to be clear. But here is how the NTS defines its relationship to worker collectives in its instructional bulletin "Forum of Friends of the People's Labor Union":

"The first stage of the workers' movement is to create underground groups of confederates at industrial enterprises: they may be called 'committees of workers' solidarity.' This is meticulous daily work requiring patience. The main goal of the workers' movement is to make the broadest and most concerted preparations to exert pressure on the government by means of strikes.... Significant results can be achieved only if strikes merge into a continuous flow throughout the entire country."

That is, two mutually exclusive positions are patently obvious: You can't have it both ways.... And the logic of events, it would seem, is but another confirmation of this. Masalovich and Terekhin helped to create the DRD, and then when it began to see the light, it turned its creators out of the organization.

"The rift occurred not at all because they are members of the NTS," DRD leader Sergey Kozlov swept away all speculation right from the start. "We expelled them for exceeding their authority and for using the DRD and the entire workers' movement for their own personal self-interested purposes. This is precisely what is written in the assembly's decision."

What he is referring to is this: Masalovich and Terekhin (director of the DRD's international department) were given the responsibility of relationships with foreign organizations supporting the "democratic workers" of Vorgashorskaya Mine. And when Kozlov accidentally tuned in to a commentary written by this duo in the name of the DRD, the first doubts as to their unscrupulousness were born. And when a commentary "On USSR Council of Ministers' Chairman N. I. Ryzhkov's Flight From the Natural Disaster in Vorkuta," in which the degree of distortion of the facts was essentially equivalent to slander, was broadcast, suspicion grew into certainty.

The assembly failed to get a satisfactory answer to the question as to where Terekhin and Masalovich obtained the new video recording equipment, and what was being done with money given to the NTS to develop the workers' movement in Vorkuta. And when it became known that Terekhin and Masalovich had received personal invitations from America and England, the cup of patience overflowed, as they say. The vote to expel the two was unanimous.

I must admit that I expected to see Nikolay Terekhin looking lost and repentant. But nothing of the kind. He was alert, energetic and active. And totally open.

"We've made the executive committee of the NTS aware of what occurred, and turned to the court of conscience and honor, which is to examine everything and issue its verdict. And there is something to examine here. NTS member Igor Brumel is an official representative of the DRD in Moscow. What is it that made such a person, proud that he had never possessed a labor card, go ablaze with love for Arctic mineworkers? It was the fact that the mandate of an authorized official imparts weight to him in the eyes of the NTS and other organizations, and most of all, it provides free passage to the feeding trough. Specifically, the workers' movement suited him just fine. When it comes to drinking to the point of passing out and partying to the point of exhaustion, he's a master. And when Sergey and I asked for a report of the work he had done as a DRD representative, Brumel came to realize that we were a danger to him. The rest was easy, because a number of members of the workers' committee often sit with Igor at the same table and imbibe from the same bottle."

Terekhin offers devastating characterizations of his former cohorts. Not one word of abuse. But every sentence a condemnation. In reference to a green deputy from the DRD with two convictions behind his back: "There's one that'll strengthen the Soviet government

for you." About the activities of the DRD among miners: "A lot of talk, but you won't find any accomplishments with a flashlight in daylight." He has things to say about the lordly manners of the Moscow DRD group, its pathological exultation of leaders, and the shameless buy-sell atmosphere reigning in it. In their work, he says, they always take the coarser or, to put it more simply, the more mercantile approach. Whenever opportunities arise for making a quick ruble, for getting one's hands on scarce imported goods or for making a trip abroad, it's time for another well-placed bribe.

Unable to restrain myself, I interrupted this flow of revelations with a question:

"And that doesn't sicken you? It's impossible, after all, to deal with such people without effacing yourself."

The response was quite philosophical:

"A politician must know how to deal with all kinds."

From all evidence, there are plenty of the worst.

Having parted with Terekhin and Masalovich, the DRD has no intention of breaking with the NTS. With either the loudspeakers or any of the permanent "sponsors." It will find other "contacts." This will probably not be hard, but in what capacity will the "dethroned duo" travel abroad? After all, the DRD has informed its foreign partners that these visitors have broken their trust.

Terekhin responded not without pride:

"We created a new organization—the People's Labor Professional Union, which has Vorkuta's intellectuals among its members. The program of the NTPS is based on the idea of Christian values and solidarity. We will create independent trade union organizations, oppose the dictatorship of the administration, and conduct legal protection activities."

Industrious lads, to be sure! In four years they hammered together an organization, spread their noise abroad, awarded official powers to old friends, and received favorable responses.

Oh, if only they could exhibit such energy at the mine face!

But they are reluctant visitors there. I went to Komsomolskaya Mine where Nikolay is listed as an underground electrician, and asked about his labor successes.

Not impressive. In 1986 he did not work (due to illness) for 80 days, and for 138 days in the next year, and after that he managed to work just 81 days in the year! Weak health? He doesn't look puny—he could probably put a two-year bull down with ease. Nikolay was given his just desserts for his "diligence." For last year's absenteeism he was deprived of his bonus, and his leave was reduced by 21 days. Even now he is distinguishing himself with dangerous negligence—this year's bonus is out the window.

So be prepared in New York, in London, in Frankfurt-am-Main—Terekhin's coming! Just one request: Be careful. From people knowing Terekhin and Masalovich well, I heard the following unexpected characterization: "They are a symbiosis of Khlestakov and Chichikov." Might we hope that these literary heroes are known to the NTS, the AFL-CIO, and other such organizations?

There are many things in this story that don't come together for me, especially when you look at it through the prism of the declarations and "commandments" of the NTS.

"The NTS today is not so much a party or an 'order' as...a brotherhood of people joined together in service to the new Russia." And at the same time there are the struggles for the choicest morsels, the sticky web of intrigue, and the shameless buying and selling under the cover of a struggle for the ideals of the workers' movement. Brotherhood seems out of place here. "The NTS has always rejected the decisive role of foreign forces. A new life can be created only by the Russian people themselves, and only by their hands." But the ideas, the instructions and the loans come from abroad.

Strange also to me are party committee member Sergey Kozlov and other communists of the DRD who, in "promoting perestroika," maintain a partnership with the NTS. They are permitted, it seems, to preach its unscrupulous principles: "In accordance with the organization's charter, members of the NTS may remain formally in the CPSU when the situation makes this necessary." But what about us? What about our Charter?

There is a 3-liter can in the DRD committee room, a third-full of ruble notes and change. These are fines from smokers. The committee members laugh: As soon as we get enough money, we'll buy a fan. Surely we don't have to choke on the smoke?

Now there's a true statement—there's not enough fresh air here.

CIVIL AVIATION

Deputy Aviation Minister on Sector Performance

904H0145A Moscow GRAZHDANSKAYA AVIATSIYA
in Russian No 2, Feb 90 pp 4-6

[Article by Honored Pilot of the USSR A. M. Goryashko, deputy minister of civil aviation: "Delay Cannot Be Tolerated"]

[Text] The countdown has begun for the final year of the 12th Five-Year Plan. If we are to evaluate what has been accomplished in the past year objectively, we cannot help but say that on the whole, a great deal has been done by specialists in the sector's flight and traffic control services and the scientists. I will not dwell on specific indicators. They are reflected in the well-known figures on hours of flying time, the number of passengers and amount of national economic freight carried, and so forth. Many collectives managed to bring themselves up to a new level of professional skill and to eliminate negative factors such as aircraft accidents and the pre-conditions for them caused by aviation workers. The Leningrad and Georgian Administrations of Civil Aviation, the Vnukovo and Domodedovo Production Associations, and others are among these collectives. There are many examples where aircrews prevented difficult situations from developing in flight and made a safe landing. The level of flight reliability associated with air traffic control has increased.

Nevertheless, the accident rate in Aeroflot continues to be alarming, as evidenced by the past year's results. Behind the facade of generally favorable indicators which have been lulling many managers in the recent past, a considerable number of shortcomings are still being concealed in flying work. Of course, if perestroika is viewed not in words but deeds, it should decisively do away with the habitual approaches and cliches in flight organization and eradicate any window dressing and self-delusions in it. But in order to develop perestroika it is not enough to simply be aware of the bottlenecks, blunders and defects; we must continually concentrate collectives' attention on them and look for effective ways to improve the quality of flying work.

Now then, in order. The fact that unjustifiably little attention is being devoted to the level of professional training for cockpit personnel in a number of territorial administrations of civil aviation is unquestionably a source of concern today. Managers of the Kazakh, Krasnoyarsk, Volga, Belorussian, Yakutsk, and certain other administrations in which there were aviation accidents which involved tragic consequences last year should be reproached for this.

In our view, we have to look for the causes in the fact that all the organization of flight methods work in these collectives was reduced practically to adherence to weather minimums. Important elements of training such as landing in the strongest possible tail wind and cross-wind, flight on steep glidepaths and at center-of-gravity

limits landing an aircraft of maximum landing mass on a runway of limited dimensions, and so forth, have been taken out of professional practice for cockpit personnel. Why has this happened? Very likely because there simply was no one to carry out the professional training. A school for instructor pilots has actually ceased to exist at enterprises, and command cockpit personnel, figuratively speaking, do not have the physical opportunity to engage in this work.

Meanwhile, the level of crews' preparedness to act in particular flight situations is determined to a large degree by the quality of simulator training, as well as exercises under actual conditions.

Bearing this in mind, we have developed special programs of such exercises. They provide for a certain gradation in the training process. Namely thus: test pilots of the GosNII GA [State Civil Aviation Scientific Research Institute] train instructor pilots from the Ulyanovsk Center, who then transfer their experience to flight service specialists in the territorial administrations. The latter, in turn, transfer their experience to command cockpit personnel at aviation enterprises and then to aircraft crews. The Ulyanovsk Center has received supplemental limits for fuel for this purpose. However, solution of the problem is being unjustifiably delayed because of bureaucratic obstacles and lack of intradepartmental coordination. As a result, only the crews for Yak-42 and Tu-154 aircraft have completed training. The question arises: can we reconcile ourselves to such an attitude toward the organization of flying work and demand high professional training and competent actions from crews in unusual situations?

The sector's scientists have remained aloof from this important problem by confusing a flight school instructor with an instructor pilot of an operational aviation enterprise. It appears that we can delay no longer in developing a scientific flight methods complex under the Academy of Civil Aviation and in quickly revitalizing the school for instructors in order to conduct flight methods work in the sector that is practical, not imaginary. This fact also attests to the need to speed up this process. Over 20 departments in the GosNII GA are working on problems related to aircraft maintenance, and 17 departments are working on the sector's economy. This is natural, for it is dictated by the specific nature of Aeroflot's activity. And the positive results in these fields speak for themselves. But now let us look at the attention which our sector's scientists are devoting to the operation of aircraft in flight. Essentially only three departments in our leading scientific facility are working on this. Can such a situation really be called normal?

The number of preconditions for aviation accidents caused by equipment failures continues to be a source of concern. Basically this means engines stopping in flight, as well as frequent malfunctions involving the extension and retraction of landing gear. In many cases, only prompt and correct actions by the crews made it possible to prevent an accident. I will note that many persons are

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inclined to place all the blame on industry here. But frankly, this is far from the case. The absolute majority of preconditions were the fault of aeronautical engineering service specialists. Intensified, painstaking organizational and educational work is necessary for this category of aviation workers, I am convinced. Strict administrative influence is not ruled out, either. The Operation of Aviation Technical Equipment Main Administration has something to think over with regard to improving the quality of work of technical control departments at aviation enterprises.

The reliability of engines that have been repaired is poor as well. In particular, this concerns the D-30KU and D-30KP engines, which have a large percentage of failures after they have been repaired. The time is ripe, finally, for managers of the Repair of Aviation Equipment Main Administration and Aircraft Repair Plant No 400 to take effective steps to improve the state of affairs.

Qualities such as conscientiousness and discipline in cockpit personnel play a major role in providing for flight safety. And this is not simply a formal slogan, but a vital everyday problem. An An-2 aircraft met with disaster in the Ukrainian Administration and an An-12 was damaged in the East Siberian Administration because of crew members' lack of discipline. The large number of sloppy landings is a problem in the sector as well. And some of them, let us say frankly, could lead to disastrous consequences. For example, in two incidents in the Kazakh Administration, Tu-134 crews landed at Chimkent and Dzhambul with loads that were far in excess of what is allowed.

If we are to be absolutely objective, crews were to blame for about 30 percent of the preconditions for aircraft accidents in the preceding period. These were basically errors in flying technique, as well as deviations from flight rules. There is one reason: lack of discipline on the part of some cockpit personnel and their violation of the requirements of regulatory documents.

It is also appropriate to mention a certain decline in flight safety for An-2 aircraft during chemical treatment operations. And once again, for the same reason. And in this case we have several aircraft accidents involving casualties. Among those who were killed were passengers taken on board for a ride. This is a flagrant disregard for flight rules and regulations.

The flight safety situation is no better for helicopters, where the number of accidents and crashes involving casualties have increased. About half of them were caused by cockpit personnel who crossed over the border of what is permissible in flight.

In this connection, I would like to dwell briefly on this. It has become fashionable lately to criticize the number of flight regulations. This is being done under the slogan of perestroika, glasnost and democratization. There is no question that flight regulations need to be improved and standardized. And this work is now being conducted by scientists at the academy and specialists of the GlavULS

MGA [Flight Service Main Administration of the Ministry of Civil Aviation]. But we are alerted by something else: this criticism often is expressed in irresponsible violations of flight rules, which absolutely cannot be tolerated. The main reason for many aviation accidents is not the quality of one document or another, but the failure by certain aviators to carry out their elementary requirements.

Command cockpit personnel have been called upon to play an important role in the strict adherence to regulatory documents. This applies in particular to the managerial category of aircraft commander. The pilot who heads the crew is not called the commander by chance. But does this rank always correspond to the moral and businesslike qualities of the person who holds it? Let us look at the documents which accompany "the birth" of the next aircraft commander. After all, the significance of them has boiled down to the following thus far: "Flying technique excellent. Worthy of confirmation for position of aircraft commander..." It is clear that a stereotyped phrase such as this narrows down the scope of duties and responsibility of the future manager of a flying collective and drives him into a narrow corridor of momentary problems. Excellent flying technique is certainly the most important professional quality of every pilot. But it is far from the only one. Many persons sometimes forget that a commander of even the smallest crew is not only skilled at the wheel, but an organizer and trainer of subordinates as well. It is precisely from these positions that we must approach the selection of candidates for the position of commander.

The level of flight safety in air traffic control leaves much to be desired as well. There were a considerable number of alarming incidents in the sector last year. Aircraft came dangerously close to each other at the Rostov Regional Center, there were landings below weather minimums at the Ufa and Baku Airports, and there were other preconditions which nearly led to aircraft accidents.

I will cite just one more example of what lack of discipline and disregard for regulatory documents by individual workers leads to. A Tu-154 aircraft with 160 passengers was approaching the Krasnoyarsk Airport for landing. Suddenly the aircraft commander noticed a specialized runway maintenance vehicle and managed to go around at the last minute for a second approach. An accident was avoided. But why didn't the crew have timely information on the work being done on the runway? It is not an idle question if it is taken into account that similar details of the tragedy in Omsk are still fresh in people's minds. It turned out that V. Bereda, the flight operations officer; V. Popov, the senior controller; and Ye. Aleksandrov, the takeoff controller, had left their positions at that important moment, which led to the complete absence of control over the situation in the air. It seems that no commentary is necessary here.

This case was not unique, incidentally. Dozens of times at various airports in the country, aircraft with passengers on board have had to go around or abort takeoff because of obstacles on a runway. A legitimate question arises for our scientists: where are the systems you promised to warn of obstacles on runways? And more: why aren't routine measures put into action at airports, comrade aviation enterprise managers?

About 16,500 specialists are now working in the sector's traffic services. By way of comparison, I will say that this is much fewer than 2 years ago. The number of flight operations officers and senior controllers, instructor controllers, ATC specialists at regional centers and for airport traffic zones, and controllers for local air routes has been reduced. There are many reasons here. One of them is the artificial staffing reduction in some traffic services in connection with aviation enterprises' shift to the new conditions of economic operation. The pursuit of momentary economic advantage to the detriment of the work is typical. Unfortunately, cases of refusal to accept young specialists who are graduates of educational institutions are common. This situation is unacceptable. It can lead to the point that there will be no one to control air traffic.

Serious perestroika is also required in medical support for flights. Substantial miscalculations in the work of physicians and experts on central and local flight medical commissions have not been eliminated thus far. It is not a coincidence that we have had several cases in which aircraft crew members have become unfit for duty after flights. We cannot help but be alarmed by such cases.

Often cockpit personnel who are not feeling well, even from a cold, do not go to a flight detachment physician for help; they look for it elsewhere, or they treat themselves, which is absolutely intolerable. To our great regret, the sector's flight medical service is organized in such a way that, instead of treating the airmen, it strikes fear into them that they will be removed from flying work. This practice is totally incorrect, and if it takes place on a large scale, it is even harmful to the work.

A new Manual for Medical Examination of Flight Personnel has been prepared which makes maximum use of ICAO [International Civil Aviation Organization] experience. The number of obligatory visits to a doctor has been considerably reduced, and quarterly medical examinations and compulsory official descriptions have been abolished. An inpatient checkup is begun at age 50 instead of 40. There are one-third as many laboratory tests and tests using equipment. To appeal the expert conclusion of the VLEK [flight medical commission] and diagnosis, tests are now authorized at republic and oblast diagnostic centers. We are also proposing the assignment of flight detachment physicians on a competitive basis, in the hope of bringing flight personnel and medical employees closer together to resolve their mutual problems. We also have to give serious thought to supplying

the sector's medical institutions with advanced diagnostic equipment in order to put all ICAO methods into use for the medical examination of flight specialists in the near future.

So a harmonious system is being outlined to provide for flight safety in Aeroflot today. What are its basic provisions?

First. Overall improvement in the professional training of flight and controller personnel, making use of foreign experience. Restoration of the institution of instructor pilots in connection with the flights being planned as part of a crew of two pilots with equivalent training. Improvement in the organization of competitive selection of candidates for aircraft commander, taking into account their organizational capabilities and development of the status of an aircraft commander, the role of which is still being minimized.

Second. Introduction of special programs to increase the skill of flight and controller specialists. Optimizing air traffic control specialists' activity, putting the airspace structure in good order, and resolving social problems.

Third. An increase in the level of flight support and air traffic control by providing airways with special beacons to determine an aircraft's azimuth and range and establishing automated ATC systems and complexes for navigation, landing and communications. Improvement in meteorological support for flights, certification of airports for ICAO Category I, II and III minimums, development and implementation of sectorial standards, and much more.

It depends on each one of us to see that this system does not slip, but functions with high efficiency. The work to provide for flight safety cannot be delayed. There are no questions of minor importance in it and there cannot be any. All elements of the system are important here. And our duty is to do everything to ensure that the highest reliability is guaranteed for every flight. Operation without accidents is the best gift from aviation workers for the forthcoming 28th CPSU Congress.

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New Tu-334 Plans Highlighted

904H0145B Moscow GRAZHDANSKAYA AVIATSIIA in Russian No 2, Feb 90 pp 21-28

[Article by A.A. Tupolev, general aircraft designer and academician: "Meet the Tu-334"]

[Text] The OKB [Experimental Design Bureau] imeni A. N. Tupolev is completing the working design of the new Tu-334 passenger aircraft for air routes of 1,000 to 2,500 kilometers. The aircraft is designed to carry 102 passengers in the tourist class version, with seat spacing of 810 millimeters, and 110 passengers with seat spacing of 780 millimeters.

The Tu-334 is intended to replace the widely known short-range Tu-134 mainline aircraft and can be operated on Class V airports with a runway 2,200 meters long. It is capable of landing under ICAO [International Civil Aviation Organization] Category III weather minimums. It differs from its predecessor, the Tu-134, by its substantially higher fuel economy, by the efficiency and reliability of its systems, by its increased passenger capacity, and by improved comfort for the passengers and crew.

Advanced technical solutions which proved themselves in developing the medium-range Tu-204 were used extensively in designing the new aircraft.

The high degree of standardization in the systems and units of the Tu-204 and Tu-334 aircraft makes it possible to shorten the periods for designing and refining the latter. It is planned to begin flight testing in 1992 and to put the aircraft on Aeroflot routes in 1993.

Structural Details

Maximum continuity in the solutions adopted on the Tu-204 has been provided for in the Tu-334 structure in order to put the aircraft into production as rapidly as possible. The fuselage of the Tu-334 has the same cross-section dimensions as the Tu-204. It (the fuselage) consists of the nose, middle and tail sections. In order to reduce mass, the number of joints in individual units has been reduced to a minimum. The nose section, which holds the cockpit and nose gear, is similar to the Tu-204 nose section in its contour. The middle section, which contains the forward equipment bay, the center wing, the main landing gear, and the forward cargo hold, has a uniform profile. The aft section of the fuselage contains the auxiliary power plant (VSP), the aft equipment bay, the aft cargo hold, and the aft doors; the engine nacelles are positioned on pylons and the tail is T-shaped.

The wing of the aircraft consists of the center section and two outboard cantilevers shaped in supercritical profiles and equipped with wingtip surfaces. Advanced aluminum and titanium alloys with improved mechanical and service life characteristics, composition materials, and high-grade steels have been extensively used in the aircraft's construction. The upper and lower panels (three sections) of the wing aft of the spar are made of polymer composition material with a honeycomb filler. The spoilers, ailerons, flaps, elevators and rudder, as well as the parts of the fin and tailplane aft of the spar, are

made of the same material. The air brakes are made of organic carbon plastic material [ugleorganoplastik]. Carbon disks are used in the wheel brakes.

Special attention has been devoted to anticorrosive protection in the construction to ensure that it has a service life of no less than 45,000 flying hours. Heat insulation and soundproofing of the pressurized cabin which are based on water-repellent materials and an improved system for installing the insulation, as well as the use of venting drain valves in the lower fuselage, make it possible to sharply reduce the amount of moisture accumulated.

The improved quality of the paint and varnish coating and the small number of joints make it possible to reduce the aircraft's aerodynamic drag.

The Power Plant

The Tu-334's power plant consists of two D-436T turboshaft engines developed by the Zaporozhye Engine Design Bureau under the leadership of General Designer F. M. Muravchenko. This engine is a version that has already undergone state testing. It is a three-shaft engine with an axial-flow 14-stage compressor, an intermediate casing, an annular combustion chamber, a five-stage turbine, and a cascade-type reverser assembly. The engine's modular construction provides for restoration of its serviceability under operating conditions, and the ease with which it can be monitored makes it possible to carry out maintenance in accordance with its condition.

Sound-absorbing honeycomb structures have been installed on the air intake and the exterior cowling to comply with ICAO noise level standards. The D-436T is equipped with a reverser assembly, which is used during a landing run as well as when there is an aborted takeoff. For a continued takeoff, emergency power may be applied briefly, providing an increase of 10 to 12 percent in takeoff thrust. The D-436T engine meets the "Provisional Standards for the Gas Emissions of New Types of Engines Developed for Civil Aircraft." The aircraft meets the requirements of the ICAO noise level standard. This will make it possible for the aircraft to be operated at international airports.

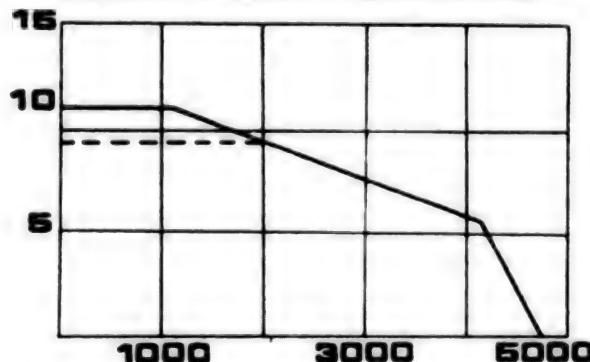
The auxiliary power plant provides for pneumatic starting of the engines on the ground and in the air, feeds hot compressed air into the air conditioning system in the parking area and in flight, and provides reserve power for the on-board alternating current system.

Basic Performance Specifications and Dimensions

Static thrust of engine (N = 0, MSA [International Standard Atmosphere])	7,500 kilograms-force
Cruise thrust of engine (N = 11 kilometers, M = 0.75)	1,300 kilograms-force
Specific fuel consumption of engine (N = 11 kilometers, M = 0.75)	0.63 kilograms/kilograms-force per hour
Takeoff mass of aircraft	41.5 tons
Passenger capacity (seat spacing 810 millimeters)	102 persons
Range (with a payload of 90.7 x 102 = 9,251 kilograms)	2,000 kilometers

Basic Performance Specifications and Dimensions (Continued)

Maximum payload	11 tons
Cruising speed	800 to 820 kilometers per hour
Fuel consumption per passenger-kilometer	20 grams
Wing span of aircraft	29.1 meters
Length of aircraft	33.2 meters
Height of aircraft	8.4 meters

Dependence of Payload on Operational Range

Key: Vertical scale: Payload in tons; Horizontal scale: Operational range in kilometers

The Basic Systems

In designing the systems—and this was done at an advanced level—the best possible technical solutions were utilized, which made it possible to obtain the minimum mass. At the same time, experience acquired with the Tu-204 was taken into account, and the basic conceptual solutions were retained. Digital computer units and built-in monitors and displays have been widely used. All assemblies were developed in accordance with standards of the technical level for the period up to the year 2000, which call for minimum dimensions and mass, as well as minimum power consumption. The assemblies which have been standardized with the Tu-204 aircraft received the sector's certification for conformity to standards of the technical level.

The optimum level of system redundancy makes it possible not only to ensure flight safety, but to maintain the aircraft's performance when one of the systems fails.

The Control System of the aircraft is an electronic remote control system. When the basic circuit is in operation, the stabilizer is trimmed automatically, that is, straight and level flight with a neutralized elevator. If the basic circuit fails, the stabilizer is controlled from buttons on the control columns. In each of the control subsystems there are three identical independent channels with a basic (digital) and a backup (analog) circuit. Deflection of control levers (U-shaped controls and pedals) in the cockpit is measured by sensors, from which signals are sent to the computers. The latter activate the commands for the appropriate deflection of the control surfaces.

In order to ensure the best possible stability and controllability for the aircraft under all operating conditions, as well as to prevent the aircraft from exceeding the established limits for the angles of attack and bank, airspeed, and the normal g-load, the necessary control laws are installed in this system's computers.

The computers of the basic control circuit provide for flight in the automatic mode, and the control levers remain in a neutral position at the same time.

The basic circuit of the electronic remotely-controlled control system is backed up by a three-channel analog circuit which provides for adequate stability and controllability if the two computers for the basic circuit fail.

The aircraft's control surfaces (the stabilizer, elevators and rudder, ailerons, and spoilers) are deflected by progressive-action hydraulic servo drives which are highly efficient, have a long service life, and are very reliable. Many of the power lines are standardized with the Tu-204 aircraft.

The systems of high-lift devices, slats and flaps provide for a synchronized extension and retraction of all sections, linked by a rigid mechanical transmission. The slats and flaps are shifted by corresponding two-channel rotary hydraulic drives, each of which operates from two different channels of the aircraft's hydraulic system.

The high-lift devices are remotely controlled from one lever on the pilots' middle console. At the same time, computers make the necessary correction in flap and slat deflection, depending on the flying speed: they send signals to reduce the angle of deflection when the speed is increased and approaches the maximum in accordance with strength conditions, or to increase the angle of deflection to the extent that the speed is reduced, in order to provide the margin needed before stalling speed. The deflection angles of the flaps and slats are indicated on the screen of a polychrome cathode-ray tube, in the same frame that deflections of the control surfaces, ailerons, spoilers, and landing gear position are shown. The slats are extended automatically when the aircraft is holding for flight at minimum airspeeds.

The Landing Gear of the aircraft is the tricycle type. The nose gear has two wheels with tubeless tires measuring 620 by 180 millimeters. The main landing gear is the lever type; it has two braking wheels with tubeless radial tires measuring 1,070 by 390 millimeters, the same as on the Tu-204 aircraft. The main gear is retracted toward the fuselage center line aft of the wing center section. The

doors of the wheel wells are closed when the landing gear is extended. The nose gear is retracted forward in flight; when it is extended, the doors are closed.

The hydraulic cylinders for the main system to extend and retract the landing gear operate from the second channel of the aircraft's hydraulic system, which has two hydraulic pumps installed on different engines, providing for gear retraction in a continued takeoff in the same period of time as in a normal takeoff. In the backup system for extending the landing gear, the hydraulic cylinders for the main gear and the gear doors operate from the first channel of the aircraft's hydraulic system; consequently, the gear can be extended in all likely failures of the extension system itself or failures of the hydraulic and electrical systems.

The remotely controlled system for braking the main wheels consists of two equivalent independent channels (the basic and backup) with hydraulic and electric power supply. Hydraulic brake pressure in proportion to pressure on the brake pedals is applied to separate groups of brake cylinders for each wheel. A shift from the main braking channel to the backup takes place automatically when pressure drops in two wheels, which is determined by built-in monitoring devices. Braking for parking the aircraft is provided by the backup channel. When the engines are switched on, the main braking channel is automatically switched on and braking force is doubled. The handle for the parking brakes is located on the side console next to the pilot in the left seat. Automatic braking is provided for when the brake pedals are in the neutral position and the switches are in two positions: normal at 100 percent and light at 80 percent, as well for augmented braking at 150 percent. The type of braking system operation and brake pressure is shown on the screen of a polychrome cathode-ray tube that is set up during preparation for flight and taxiing.

The electric remote-control system for controlling the turning of the nose gear consists of two independent channels which operate simultaneously. Each one of the channels has its own independent hydraulic cylinder. The nose wheels can be turned 70 degrees during taxiing with levers positioned on the pilots' side consoles. For takeoff and landing, the nose wheels are turned for 8 degrees with the pedal controls. The system provides for heading stabilization to maintain direction during an automatic landing runout.

The Hydraulic System of the aircraft consists of three independent insulated channels which support the operation of all users. The rated working pressure in the hydraulic system is 210 kilograms per square centimeter. It uses nonflammable working fluid. The tanks of all channels of the hydraulic system are pressurized with nitrogen at 3.5 kilograms per square centimeter.

The first channel of the hydraulic system has a variable-displacement pump with a drive from the engine and an electric pumping unit, as well as an emergency source of hydraulic power with a drive from the wind turbine,

which produces an incoming airflow if both engines of the aircraft are switched off. The first channel provides for operation of the hydraulic drives for the aircraft's control system (the stabilizer, elevators, ailerons, spoilers, and rudder), one of the hydraulic motors in the system for extending the landing gear and deflecting the slats and flaps, one hydraulic cylinder in the system for controlling the nose gear, and the backup channel for the brake system and the system for controlling reverse thrust of the left engine.

The hydraulic system's second channel has two variable-displacement pumps with a drive from the left and right engines, as well as an electric pumping unit. This channel provides for operation of the hydraulic drives in the flight control system, the hydraulic drives for the air brakes, one hydraulic motor in the slat deflection system, the main hydraulic cylinders in the system for extending and retracting the landing gear and the wheel well doors, and the main channel for the brake system.

The third channel of the hydraulic system has a variable-displacement pump with a drive from the right engine and an electric pumping unit. This channel provides for operation of hydraulic drives in the flight control system, one hydraulic motor in the flap deflection system, the hydraulic cylinders for the backup system to extend the main landing gear, and one hydraulic cylinder for the system to control nose gear turns and the system for controlling reverse thrust of the right engine.

Thus the hydraulic system arrangement makes it possible to retain the operating capacity of the aircraft's main systems when one channel of the hydraulic system (any one) fails and ensures that a flight will be completed safely even when two of its channels fail.

The parameters of the hydraulic system's operation are displayed on the screen of a polychrome cathode-ray tube in a separate frame which is set up when preparing for departure.

The Power Supply System is duplicated. The main system has three-phase alternating current of 200/115 volts on a frequency of 400 hertz. The source of electricity in each of the two main subsystems is an alternating current generator of 90 kilovolt-amperes installed on an engine. The backup source for the main system is an alternating current generator of 60 kilovolt-amperes with a drive from the auxiliary power plant. The secondary power supply system is a redundant direct current system of 27 volts. The power source in each of the two secondary subsystems are converters which operate from the alternating current subsystem. Four storage batteries serve as emergency power sources.

The electrical system includes static converters of direct current to alternating current for forming a third autonomous channel to supply the electric remote-control system and other facilities when the main generators fail.

The on-board electrical system has nonflammable insulated wiring. Separation of the wiring of the multi-channel systems along the sides of the aircraft makes it possible to prevent interconnection of electric lines.

Exterior Lighting Equipment on the aircraft (takeoff and landing lights, taxiing lights, lights for turning off the runway, strobe lights, running and position lights) conform to the current technical level in function and performance and meet international standards.

The Fuel System of the aircraft provides fuel to each engine separately (with crossfeed capability), as well as the auxiliary power plant. All the fuel is held in three tanks; one tank is in the wing center section the wing roots, and the second and third (left and right) tanks are in the outer wing panels. They contain flow compartments with a capacity which exceeds the remaining fuel reserve. Centralized fueling begins with the wing panel tanks, and it takes no more than 10 to 12 minutes to fill all the tanks.

Fuel is fed to the engines from the flow compartments with the help of electric pumps (on alternating current), and pumps which operate on direct current and are connected to the electrical system's emergency busbar have been installed in the compartments. Thus the fuel system's operation is ensured in the event of failures.

Operation of the fuel system is monitored automatically by a fuel measurement and center-of-gravity complex. The crew is provided with information on the fuel supply and the aircraft's center-of-gravity position on the screen of a polychrome cathode-ray tube when the appropriate frame is called up.

The integrated approach to the design of the on-board systems has made it possible to maintain performance practically and to complete the flight over a route successfully in the event of any system failure (except an engine).

Operating Conditions

Operation of the Tu-334 involves extensive use of automated control. The complete complex of navigation equipment provides for automatic navigation on preprogrammed routes. Although the Tu-334 is designed to operate from Class V airports, its on-board equipment is similar to that installed on the Tu-204, and it can land under instrument weather conditions (up to ICAO Category IIIA) when an airport has the appropriate equipment.

The cockpit, which retains continuity from the Tu-204, is designed for two pilots and a flight engineer. However, more detailed analysis of the positioning of system controls makes it possible to man the aircraft with only the two pilots, which appears to be very important to foreign airlines, which are showing considerable interest in the aircraft.

The system for the aircraft's maintenance was developed on the basis of the principle of operating in accordance with its condition; this is made possible by extensive monitoring of the operating condition of the aircraft's on-board systems. The maintenance system, aimed at an average annual flying time of no less than 2,600 hours, provides for two forms of routine maintenance. Under Pattern A, the aircraft is readied for the next departure in 25 minutes. Maintenance in accordance with Pattern B is conducted after every 15 flights at the base airport. Periodic maintenance of the aircraft is conducted in accordance with three patterns. Under Pattern 1, parts are lubricated and cleaned, the passenger cabin and cockpit are cleaned, and the aircraft is washed after 200 flights. Repair of minor damage is also included here. Under Pattern 2, after 2,000 flights but no less frequently than once a year, preventive and repair work is performed and units that are worn out or have completed their service life are replaced to ensure the reliable operation of on-board systems. Repair Pattern 3 after 4,000 hours provides for an in-depth structural inspection for corrosion and other damage and replacement of assemblies and removable units of equipment that have failed or completed their service life.

The flexible maintenance system, combined with the use of an automated baggage-loading system, will make it possible to reduce the operating cost and ensure high profitability.

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MARITIME AND RIVER FLEETS

Science and Technology Impact on Maritime Sector

904H0182A Moscow MORSKOY FLOT in Russian
No 1, Jan 90 pp 2-3

[Article by I. Orlov, chief of the Scientific-Technical Administration of the Ministry of the Maritime Fleet, candidate in Technical Sciences: "A New Level for Maritime Science"]

[Text] Every maritime transport worker will easily say that he is waiting for the development of scientific-technical progress (NTP) in the sector. True, the answers will vary: the shipbuilders, the mechanics, the dock workers and the ship repairmen—each one of them has his own "sore spots." It is estimated that the work of maritime transport (consolidated) is provided by 52 directions of NTP development, each of which have their own special characteristic technical, technological and organizational features.

Their affiliation to one sector unites them, and this provides for the interdependence of all the paths of development and the search for effective solutions in their basic activity.

Therefore, managing the development of NTP is a complex and multiplanar task. Reducing it to autonomous improvement in separate directions would be a gross error, for after all, they all intersect in one knot, which can be untangled only on the basis of a unified sectorial scientific-technical approach, as well as inter-sectorial coordination at all levels.

Perestroyka is not standing still, but, as it deepens and broadens, is imposing new demands on all of us. At the same time, the search goes on for forms of management, a search in which, unfortunately, the so-called "method of trial and error" predominates. Under the present conditions, it is very complicated to reduce to a minimum the contradiction between the rapidly changing situation and a stable long-term system of managing NTP. It is obvious that today the possible turn of events must be foreseen, and an "unsinkable" system be created on this basis—firm, and at the same time reacting flexibly to new approaches and solutions. This is the central problem, caused by the fact that scientific-technical development knows no pause, and leaves no time for long pondering. This means that it must be restructured while in motion.

In many ways the sector is being helped by the fact that maritime science has not come to the 1990's with empty hands. A new structure of scientific and design organizations has been created and proved its viability, and a basic system of managing scientific-technical development, based on advanced programs and norms, has been worked out. The principle of the priority of directions of NTP is being carried out and the appropriate software is being prepared. The role of intensive factors in solving various sectorial problems is increasing. The transition of maritime science to cost accounting and self-financing should also be noted as an asset.

At the same time, negative trends have appeared which prevent the sector from using its scientific potential. Among these are, above all, the lack of a general governmental policy toward NTP acceleration. As a result of this, the departments and naturally, the enterprises, not having a State order for NTP, are directed toward instantaneous profit, sacrificing the future. Decentralization in the sectors (including the Ministry of the Maritime Fleet) has engendered "narrow local" egoism, in which enterprises with considerable resources and funds for development do not take into consideration the general interests and do not enter into expenditures that promise a yield only in the distant future. One can appeal to the conscience of the directors (and some of them answer), but if there is no system, there is nothing objectively to blame the executors for.

Another negative point is the recent fad for increasing criticism of science, particularly dangerous in the central system. Here, one somehow forgets: we have what we have been forming for years. Therefore, today a constructive approach is much more useful than fault-finding. In any case, it is inadmissible to keep back the

volumes of centralized financing of important sectorial research: the damage to the maritime fleet is too great.

Under these conditions, scientific-technical activity must be analyzed, and measures taken to accelerate the development of NTP. I should like to discuss the main points.

Financing Scientific Research

As was noted above, cost accounting at the enterprises is now conflicting with NTP and it is probably time for the ministry's economists to react to this fact. There was a 1.5-fold reduction in centralized financing funds (not counting the difference in prices) in 1989 and a 3-fold one in 1990—a dangerous phenomenon for the development of NTP. Therefore, the problem of allotting at least 18 million rubles (as against 6.2 million rubles according to the five-year plan) from the centralized fund in 1990 should be solved immediately.

Complications in centralized financing have led to a paradoxical situation in which the portfolio of orders for maritime science exceeded 40.0 million rubles, but the share of general sectorial research in it was only 35 percent. The volume of outside orders (particularly in the VUZes) and small jobs of a design nature on contracts with the enterprises has grown sharply. The institutes' faith in the ministry must be restored to normalize the situation.

The Central System of the Ministry and NTP

Under the conditions of staff reduction and the need to intensify the role of the ministry as the sector's scientific-technical headquarters, the problem of radically restructuring the work in the NTP sphere has become urgent. Today there is no other function which would be so "scattered" through various subdivisions. Incidentally, in all the ministries, including transport, it has been entrusted to special main administrations.

We have about 100 persons employed in the central staff in the sphere of NTP, and their efforts are disconnected and subordinated to solving isolated local problems. For example, the scientific-technical information unit (formerly TsBNTI) is combined with the publicity subdivision, to which priority is given. The scientific-technical library has been "lost", the department of expert examination of designs and estimates has lost touch with its general direction, etc. This separation leads to a confrontation, against which attempts to consolidate forces for the sake of solving the main operational problems of the maritime fleet are smashed. Those who are trying to preserve the old limited method of distributing centralized funds for science also further this.

The sector needs a full-fledged organ to direct the development of NTP, which, under today's complex conditions, could combine resources in the center and at the sites to achieve major program goals.

A Target Program Method and Priority Tasks for Development

The ministry obtained a good effect from using a system of scientific-technical programs in the 12th Five-Year Plan. Both its unwieldiness and its uncontrollability became obvious, however. Judge for yourselves: it took part in eight national economic programs, four general sectorial and nine sectorial scientific and six target comprehensive programs. As we know, the programs have elements of duplication, which causes additional expenditures, and detailed regulation of tasks was specified, and this for the entire five-year plan. Therefore, it was not by chance that the scientific assignments soon required correcting, which was also done twice (you can just imagine the scale of the work!).

This is still not the whole of it, though. Each such program is headed by a deputy minister and is carried out under the guidance of directors of the scientific organizations or major scientists. This means that the abundance of programs exceeded the possibilities of the leaders. It can be stated that the system that formed did not withstand the test of time.

All right, what do we do next? Obviously, the program method of managing scientific development should be brought into accordance with the new work conditions, as well as with the actual potentials of the ministry. We cannot overlook two main points: the general directions for development and the priority tasks of the sector in the present period. While the first should encompass the long-term future, the second presupposes solving the specific problems of today. In this case, the principle of the comprehensiveness and optimality of the programs should be adhered to. Setting the task of encompassing "everything without exception" through the plans is unrealistic both with respect to the financing conditions and with respect to the growth of regional shipping orders. The latter must not be held back, since it is precisely from there that the inflow of new ideas and various valuable initiatives will come, and their development requires the free powers of the institutes and VUZes.

It is proposed that two program levels be introduced: sectorial scientific-technical and target comprehensive. Among the first may be included "Intensifikatsiya-95," "ASU-Morflot" and a program of updating the fixed capital. They are all aimed at the long-term development of the sector. The second includes the following: improving the transport process on the basis of intermodal principles, using advanced TTS; the ship of the future; developing and introducing new methods of collective rescue at sea; scientific-technical collaboration with leading foreign organizations and firms.

It goes without saying that this list in no way pretends to be an all-embracing coverage of the problems, which will make it possible to conclude individual contracts on actual subjects that arise. Nothing meriting attention should be overlooked, however. This can be ensured by the comprehensive nature of the programs.

How Can the Introduction of Advanced Developments Be Ensured?

This is the most painful problem of today and the future. Many of the sector's enterprises have quite an indifferent attitude toward it. We recommend that all institutes and VUZes organize inculcating cells in the form of departments, sectors and cooperatives. Giving these subdivisions a direct incentive to share in the economic effect obtained should arouse the initiative of specialists and draw in experienced production workers.

There are more complex problems, however, which cannot be solved by enthusiasm alone. Advanced equipment and technology need funds, including currency. We need the help of foreign firms if we wish to go out on the world market. The practical realization of a number of very important programs will become possible only within the framework of joint ventures (SP) with foreign companies.

The SP "Morskiye kompyuternyye sistemy" [Maritime Computer Systems] is already serving the needs of the sector today. One of the branches of the SP, for example, is engaged in creating automated complexes for ships in accordance with the "Ship of the Future" program. It is beginning to work on introducing an information computer network into the sector, with an outlet to international networks.

Considerable efforts are required to create SP for the output of modern limited-mechanization devices, robotized transshipment devices and technological outfitting. We are quite greatly lagging behind in this sphere. We must not count on import purchases of finished products in the future, and indeed we have our own ideas and developments, not inferior to the world level. Therefore, it is fully realistic to set the task of currency cost recovery SP. Negotiations with a number of interested firms have already begun.

We are also late in introducing drop life-saving modules in the fleet. Rather, they have already appeared on the ships, but crew training in their operation leaves much to be desired. Training cadets and sailing crews in the use of these modules should be organized. It is proposed that a training center be built for this purpose on the Black Sea (drawing in foreign firms). In the future these centers will also appear at other basins.

They should operate on a commercial basis, serving fishermen, river workers, marine oil rig workers, etc. One can go even farther, though: foreign firms propose creating SP to manufacture the modules and other life-saving devices. There is quite a high demand for them, both in our country and abroad. In addition, we are in a position to develop joint scientific research on improving the modules themselves and the equipment to drop them. Only in this way will be able to implement a purposeful priority program to save life at sea.

TRANSPORTATION

JPRS-UEA-90-019
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The Association of Scientific and Design Organizations

The Association was created at the beginning of 1989. Its committee has set to work. Great hopes are being placed on the new organization. It should in practice embody modern ideas on democratizing management in science and design. It is proposed that science and design be brought closer together. The latter can now be regarded as introducing scientific research developments not only in the sphere of hydraulic engineering and construction, but also in the technology of transporting and transshipping cargo. Because of our former lack of comprehension of this, we have already lost a great deal. After all, one of the reasons for the prolonged idle times of the specialized fleet, the low rates of cargo operations and the low labor productivity is concealed here.

In the future the Association should ensure self-financing for science, organize the subject matter for research and the fundamental work on the basis of production problems. Foreign financing sources should be used to a limited extent. Then true cost accounting will come to science.

The combined efforts of the collectives of the institutes, VUZes, experimental production and joint ventures which will enter the Association will make possible an active solution to all their social problems and the organization of a modern experimental research base for maritime science and design work.

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Port Freight Turnover Compared

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[Article by A. Larin, candidate in Technical Sciences (Soyuzmorniprojekt): "Seaports of the USSR: Today and Tomorrow"]

[Text] There are over 100 commercial seaports under the jurisdiction of the Ministry of the Maritime Fleet, about 70 of which are major ones. In 1988 about 408.2 million tons of cargo passed through their mooring places, including 149.3 million tons of liquid and 258.9 million tons of dry cargoes. The structure of the latter was as follows: bulk (coal, ore, etc.)—116.8 million tons (45.1%), package and container cargoes—56.1 million tons (21.6%), grain—37.4 million tons (14.4%), cargo on ferries—37.2 million tons (14.3%), timber and lumber—11.4 million tons (4.4%).

The following ports have the greatest cargo turnover (Table 1): Novorossiysk (44.9 million tons), Ventspils (35.6), including, for dry cargo—Ilichevsk (15.2), Vostochnyy (11.6), Mariupol (11.4), Leningrad (10.9), Klaypeda (10.4), Novorossiysk (10.1), Reni (9.7), Odessa (9.7), Yuzhnyy (8.2), Murmansk (7.8), Izmail (7.3), Nakhodka (7.2) and Riga (7.0 million tons).

Table 1. Cargo Turnover of the Main Ports of the MMF in 1988, mill. t.

Port	Total	Including		Of this, Dry Cargo					
		Liquid	Dry	Bulk	Grain	Timber	Package	In containers (gross)	On ferries (gross)
White Sea									
Arkhangelsk	2.6	—	2.6	0.9	0.2	0.2	1.0	0.3	—
Barents Sea									
Murmansk	7.8	—	7.8	6.4	—	0.1	0.9	0.4	—
Baltic Sea									
Leningrad	10.9	—	10.9	2.3	5.3	0.3	2.2	0.8	—
Tallinn	3.6	—	3.6	2.2	—	0.2	1.0	0.2	—
Novotallinnsk	5.4	—	5.4	0.5	4.7	—	0.2	—	—
Ventspils	35.6	31.1	4.5	2.5	0.6	—	1.4	—	—
Riga	7.0	—	7.0	2.0	2.7	0.2	1.1	1.0	—
Klaypeda	20.7	10.3	10.4	0.6	1.9	0.2	3.2	—	4.5
Danube									
Izmail	7.3	—	7.3	4.9	0.3	—	1.8	0.3	—
Reni	9.7	—	9.7	5.4	0.5	0.4	3.4	—	—
Black Sea									
Ilichevsk	15.2	—	15.2	3.7	1.4	—	2.8	1.2	6.1
Odessa	28.2	18.5	9.7	2.5	5.4	—	1.7	0.1	—
Yuzhnyy	8.2	—	8.2	7.5	—	—	0.7	—	—
Kherson	4.2	—	4.2	3.5	0.3	—	0.4	—	—
Novorossiysk	44.9	34.8	10.1	1.5	6.1	—	2.5	—	—
Tuapse	16.4	13.8	2.6	1.7	0.3	—	0.6	—	—

Table 1. Cargo Turnover of the Main Ports of the MMF in 1988, mill. t. (Continued)

Port	Total	Including		Of this, Dry Cargo					
		Liquid	Dry	Bulk	Grain	Timber	Package	In containers (gross)	On ferries (gross)
Poti	4.6	—	4.6	3.6	0.8	—	0.2	—	—
Batumi	6.9	5.3	1.6	0.3	1.2	—	0.1	—	—
Sea of Azov									
Mariupol	11.4	—	11.4	8.0	0.4	—	2.8	0.2	—
Berdiansk	2.3	—	2.3	1.0	0.4	—	0.9	—	—
Caspian Sea									
Baku	19.4	13.0	6.4	0.7	—	0.1	0.3	—	5.4
Krasnovodsk	11.8	4.1	7.7	2.2	0.1	—	—	—	5.4
Pacific Ocean									
Nakhodka	12.1	4.9	7.2	2.2	1.3	2.1	1.5	0.1	—
Vostochnyy	11.6	—	11.6	8.8	—	0.8	—	2.0	—
Korsakov	2.2	—	2.2	1.3	0.1	0.4	0.4	—	—
Kholmsk	6.8	—	6.8	0.5	—	0.2	0.4	—	5.7
Others	91.3	13.5	77.8	40.1	3.4	6.2	14.4	3.6	10.1
Total	408.2	149.3	258.9	116.8	37.4	11.4	45.9	10.2	37.2

(Not counting cargoes of local port fleet)

The largest volume of package cargo and container processing falls to the ports of Illichevsk (4.0 million tons), Klaipeda (3.2), Leningrad (3), Novorossiysk (2.5), Riga (2.1) and Vostochnyy (2.0 million tons).

The ports of the sector have at their disposal 550 cargo moorings 93.7 km long, capable of receiving and processing practically any modern transport vessels. In addition, the ports have over 40 km of passenger and auxiliary moorings. The ports having the most powerful mooring front are the following (Table 2): Novorossiysk (8.3 km), Leningrad (8.0), Ventspils (6.0), Odessa (4.9), Illichevsk (4.5), Murmansk (3.7), Tallinn (3.6) and Klaipeda (3.6 km).

Table 2. Data on the Number of Mooring Places in the Main Ports of the MMF

Port	Total length, km	Cargo moorings	
		Length, km	Number, units
Arkhangelsk	3.1	2.8	19
Murmansk	3.7	2.5	13
Leningrad	8.0	5.9	25
Tallinn	3.6	2.9	22
Novotallinnik	1.9	1.6	7
Ventspils	6.0	3.7	15
Riga	3.4	2.8	16
Klaipeda	3.6	3.2	17
Izmail	2.3	2.1	18
Reni	3.3	3.3	27

Illichevsk	4.5	4.5	22
Odessa	4.9	3.7	20
Yuzhnyy	1.5	1.2	5
Kherson	1.6	1.2	8
Novorossiysk	8.3	5.4	25
Tuapse	2.2	1.7	9
Poti	2.8	2.0	10
Batumi	1.8	1.3	8
Mariupol	3.1	2.5	13
Berdiansk	1.6	1.5	9
Baku	3.1	2.3	17
Krasnovodsk	1.6	1.4	10
Nakhodka	2.8	2.7	17
Vostochnyy	3.1	2.4	9
Korsakov	0.9	0.8	6
Kholmsk	1.3	0.7	4
Others	51.7	27.6	179.0
Total	135.7	93.7	550

The ports of the sector are highly mechanized enterprises. Over 2000 portal cranes and 200 other cranes, about 8000 forklift trucks and over 1500 other hoisting and transport machines are in operation at their moorings.

Due to the high degree of technical outfitting and modern methods of organizing and managing the production processes, the ports ensure highly intensive service to the vessels of the transport fleet (Table 3).

Table 3. Indicators of Transport Fleet Ship Processing in the Main Ports of the MMF (1988)

Port	Number of ships processed, in units	Average amount of cargo on the ship, thou. t	Intensity of cargo operations, t/day		Average time for full processing of a ship, days
			gross	net	
Dry Cargo					
Arkhangelsk	971	2.20	884	1698	2.5
Murmansk	634	11.82	3589	5802	3.3
Leningrad	2016	5.85	2047	3613	2.9
Tallinn	1697	2.18	1264	2663	1.7
Novotallininsk	474	11.41	3618	6715	3.2
Ventspils	894	5.02	1616	3463	3.1
Riga	1617	4.32	1653	3183	2.6
Klaipeda	1926	3.20	3078	7167	1.7
Izmail	1143	2.80	2100	3329	1.3
Reni	1009	3.40	2128	3121	1.6
Ilichevsk	2266	4.90	2107	4542	2.7
Odessa	866	10.20	1908	3816	5.3
Yuzhnyy	390	17.78	3716	7975	4.8
Kherson	785	3.88	2568	4588	1.5
Novorossiysk	755	13.22	1935	4035	6.8
Tuapse	348	7.43	2027	5199	3.7
Poti	545	8.18	2761	5146	3.0
Batumi	373	4.39	1753	4587	2.5
Mariupol	1743	6.43	3499	6014	1.8
Baku	4016	1.58	6618	11,170	0.24
Krasnovodsk	4427	1.85	8755	16,831	0.21
Nakhodka	1229	5.61	1404	2418	4.0
Vostochnyy	1266	8.78	4558	10,573	1.9
Korsakov	621	2.25	1433	2152	1.6
Kholmsk	4858	1.33	12,202	20,396	0.11
Liquid Cargo					
Ventspils	1129	27.55	13,471	55,098	2.0
Klaipeda	576	17.86	10,783	39,601	1.6
Odessa	518	35.76	9206	36,203	3.9
Tuapse	591	23.37	6823	27,408	3.4
Novorossiysk	469	74.26	27,009	110,881	2.7
Batumi	262	20.26	4960	17,332	4.1
Baku	2412	5.37	10,374	22,263	0.5
Krasnovodsk	976	4.24	10,671	16,459	0.4
Nakhodka	700	6.14	3023	18,873	2.0

Note. According to accepted USSR terminology, the gross intensiveness of cargo operations denotes the relation of the amount of cargo loaded (unloaded) on (from) a ship, to the total time of the ship's stay in port—from the moment of concluding mooring to the berth or anchoring within the limits of the port waters to the moment of its departure from the port. The net intensiveness of cargo operations denotes the speed of fulfilling the cargo operations proper.

In 1988 the ports serviced 56,305 dry cargo ships and 9925 tankers. The average gross rate of processing dry cargo ships was 2242 t/day, and of cargo work proper—4148 t/day. The average length of time for complete processing of one transport vessel was 1.7 days. For foreign dry cargo ships serviced by the sector's ports in

1988, these data look like this: number of ships processed—4290, gross processing rate—3064 t/day, of cargo operations—7216 t/day, length of processing time per ship—2.3 days (average amount of cargo per foreign ship—8240 tons, which is greater by a factor of 2.1 than the average value for all ships).

Soyuzmorniprojekt worked out a program for the development of Soviet commercial seaports for the period up to the year 2005, which was examined and approved by Minmorflot [Ministry of the Maritime Fleet].

It is assumed that in the next 15 years the volume of transshipping general cargo and containers in the ports will grow considerably, but the processing of bulk and bulk free-flowing cargoes will decrease. As a result, the ports' cargo turnover will not substantially increase—by 25-30 million tons a year.

The development of Soviet seaports in the future is planned on the basis of the need to intensify production processes through realizing the achievements of scientific-technical progress in the technology of loading-unloading operations, management and organization of operations activity, and in construction.

Scientific-technical progress in loading-unloading operations will be ensured both through reequipment of existing complexes (the most advantageous method of modernizing fixed capital), and through expanding existing ports, with the development of specialized transshipping complexes for advanced transport technology—container, rolier, pallet, ferry, etc.

Work on renovating and reequipping specifies replacing hoisting-transporting equipment with more efficient equipment and putting in order the infrastructure of port activity—objects for comprehensive ship and crew service, and also objects for auxiliary purposes.

As a whole for the period 1991-2005, the intention is to renovate 70 transshipment complexes and 30 passenger and auxiliary berths, and to replace about 25,000 units of hoisting-transporting equipment. The total increase in port capacity due to reequipment and renovation in 1995-2005 will be 40-45 million tons.

It is planned to direct 55% of all capital investments toward developing the infrastructure of the material-technical base.

Construction of complexes is planned only to ensure transshipping of new cargo and increase the volume of existing cargo flows if it is impossible to develop them through renovation or reequipment of the existing capacities.

As a whole for the period 1991-2005, 45-50 transshipping complexes for dry cargo, with a total capacity of 35-40 million tons are slated to be constructed.

About 70% of all the complexes being constructed for dry cargo are specialized. To develop new cargo flows on the Black Sea and the Far Eastern basin, complexes will be built for transshipment of mineral fertilizer, phosphorite, phosphate fertilizer, bauxite, sulfur, potassium salt, alumina, etc. They will have inherently new qualitative characteristics. The container terminals will be able to

provide processing for fourth generation container carriers through the use of automated and semi-automated machinery.

Complexes, equipped with automated units and warehouses, will be developed to process pallet carriers, and pallet-positioners, cargo platforms with automatic grips, etc., will be used.

Within the framework of the LASH ship system, moorings are to be built for all-weather processing of LASH ships, and at the base ports—complexes to process multi-purpose LASH ships (with lighters, containers and wheeled equipment).

Complexes for railway ferries will completely automate their unloading processes. Ships with uniform package cargo will be processed at complexes equipped with continuous action machinery. Specialized complexes for bulk cargo will be upgraded through improving the parameters of the hoisting-transporting equipment and automating its operation.

Reequipment of complexes being put into operation in the period 1991-2005 will have indicators substantially surpassing the characteristics of the best modern analogs and corresponding to the predicted world level. For example, for all complexes to be constructed, expanded, renovated and reequipped, the established capacity will be increased by a factor of 1.3-2.5, the degree of labor mechanization—1.5-2.0, and the productivity of the dockhands' work—1.7-1.8, and the energy-intensiveness of the work and the cost of transshipping per ton of cargo will be reduced by 30-40%. Other operations and economic indicators will be substantially improved.

Putting into effect the outlined program for development of technological transshipping complexes on the basis of introducing the achievements of scientific-technical progress will make possible a substantial rise in the qualitative indicators of port operations. For example, the net intensiveness of cargo operations for the dry cargo fleet will increase from 4000-4500 t/ship-day in 1990 to 6500-7000 t/ship-day in 2005, and the degree of labor mechanization—from 44 to 60-70%.

The increase in the capacity of seaports for transshipment of dry cargo is slated to be carried out at rates outstripping the growth of cargo turnover. In this way, a reserve of capacities will be created in amounts sufficient for the reliable functioning of the ports under conditions of unforeseen changes in economic factors. It is assumed that this will be achieved mainly through renovation and reequipment of all-purpose complexes for general and bulk cargoes. Reserve capacities will appear by the beginning of the 1990's, and by the end of the period under discussion, the number of them on the average for the sector's ports will reach 10-15%.

Scientific-technical progress in creating port hydraulic engineering and other structures will be ensured by a 20-30% increase in the proportion of advanced types of

construction-installation work, a 60% reduction in their labor-intensiveness and a 9-13% reduction in materials-intensiveness.

A radical improvement is slated in port operations management, based on general use of micro-computers and simultaneous development of local and territorial information networks, as well as automated management systems (ASU) for organizational and technological processes; the interaction of enterprises and transport junctions and transport-technological regions; technological processes, including compiling cargo documents; financial and commercial activity.

The growth of the net intensiveness of cargo operations, and the creation of a capacity reserve will make it possible to take a substantial step toward reducing unproductive idle times for the transport fleet in the ports. At the same time, the gross intensiveness by the year 2005 will increase by a factor of approximately 1.7—up to 4000-4500 t/ship-day, and will reduce the relative proportion of unproductive idle times for ships in the gross anchorage time by 8-10%.

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Shipyard Activity Reported

904H0183A Leningrad SUDOSTROYE NIYE
in Russian No 2, Feb 90 pp 39-41

[Articles selected by A.N. Khaustov: "At the Shipyards"]

[Text]

Feodosiyskoye Production Association imeni 26th CPSU Congress

The shipbuilders have had to solve many complex problems in designing the maritime double-deck SPK [hydrofoil] "Tsiklon," with an all-welded hull made of an aluminum-magnesium alloy. Last year this passenger hydrofoil began operation off the coast of the Crimea. Four excursion runs a week were organized from Feodosiya to Yalta. While on an ordinary pleasure motorship this would take 5 hours and 30 minutes, the gas-turbine Tsiklon, which accelerates to 42 knots, covers the distance in 1 hour and 40 minutes, or 2 hours—depending on weather conditions. The salons of the SPK, which hold 250 persons, are air-conditioned. Since the ministry entrusted the experimental operation of the SPK to the manufacturing enterprise itself, the FPO [fleet production association] had to solve many of the problems independently, particularly those related to the excursion program, publicity, ticket sales and passenger service on board the ship. The inhabitants of Feodosiya and guests of the city have shown great interest in taking trips on the new ship.

Krasnoye Sormovo Plant Production Association

"Rabros"—that is what they call the hero of a Hungarian folk epic. This name is also mentioned on board the next dry-cargo motorship for mixed sailing of the Volga type,

which has Budapest as the port of registry. The ship was built for Hungarian seamen with special enthusiasm—after all, this is the first ship for the Sormovo workers, and, moreover, of a new series for a foreign purchaser. It was launched on 22 April 1989, on Communist Saturday, after that it went through mooring and underway trials, and on 12 August the motorship was sent along a system of rivers and canals to the Baltic Sea. Transfer of the ship to the crew of Hungarian seamen took place in Klaypeda. The Rabros is intended for operation in the Mediterranean Sea and the Indian Ocean, and additional equipment is therefore installed on the ship to ensure passage through the Suez Canal.

Baltiyskiy Yard Production Association

The Special Design Bureau for Boiler Building, which is part of the association, is the only one of its type engaged in the development of steam and water turbine boilers. It was founded in 1946, when, because of the intensive development of domestic shipbuilding in the postwar period, the need arose to develop a unified center of maritime boiler building at the Baltiyskiy Yard. G.A. Gasanov, subsequently doctor of Technical Sciences, professor and Hero of Socialist Labor, became the chief and the head designer. Since then, main and auxiliary boilers, boiler units and heat-recovery boilers have been designed and developed here. The equipment is tested on a unique thermal-power stand of the LAO, under conditions maximally approximated to operating conditions. In addition, there is constant authorial supervision of the use of the boilers on the ships. Among the equipment developed are KVG-25 main boilers for cargo ships of the Leninskiy Komsomol type, and KVG-34 and KVG-34k for tankers of the Pekin and Sofiya types. Subsequently, work was done on heat-exchange equipment for the power units of nuclear-powered ice-breakers and the LASH ship Sevmorput. In 1963 the bureau was awarded the Order of the Red Banner of Labor. For high achievements in the sphere of ship power engineering, Lenin and State prizes were awarded to G.A. Gasanov and N.S. Belousov, and the State Prize—to D.I. Petrov, A.I. Bulikova, I.A. Fedorov, V.A. Kosorotov, V.I. Lebedev, S.V. Malinovskiy and A.I. Khavkin.

TsNII [Central Scientific Research Institute] imeni Akademik A.N. Krylov

The need for ships to serve marine oil and gas fields, and the efficient characteristics of floating craft can be determined by computer, using the methodology worked out by specialists of the institute. The initial data are the infrastructure and characteristics of the deposit and the composition and dynamics of development of the extracting and prospecting devices. According to the data presented by the purchaser, the main measurements, the coefficients of the lines drawing, the engine power, the running speed, the pull on the hook, the deadweight, passenger capacity, etc., can be efficiently determined. In addition, the weight capacity, the cost of building and operation, as well as the required number of

ships most economically solving the task set are calculated. All this makes it possible to compile, with better substantiation, the programs for developing specialized ships and the technical assignments for their design.

Perm Kama Shipyard

At present, production cannot always avoid evening and night shifts. In order to compensate for the inconveniences that this caused the yard workers employed on the second and third shifts, according to the results for the year they were paid respectively 100 and 200 rubles. Since 1 July 1989, new benefits have appeared. Permanent additional payments, amounting to 20% of the hourly rate or salary, for going on to the evening shift, and 40%—for the night shift have been specified for workers, foremen, other specialists and employees and directors for each hour of work on the corresponding shift. In addition, for those permanently employed in the evening and nighttime hours, an increase of 1-4 days of leave, depending on the term of service, is specified. The former payments, in accordance with the year's results, are retained for multi-shift work conditions.

Kherson Shipbuilding Production Association imeni 60-letiye Leninskogo Komsomo!

Good efforts are being applied in the association so that, along with the basic product—maritime ships and floating docks—the output of consumer goods has also grown. For this purpose, a specialized production facility has been organized, at which over 700 persons are working. Suites of Svetlana furniture for reception rooms, Trapeza kitchen fittings, sofas and convertible couches, traveler's tents and spare parts for motor vehicles, television stands and plastic items are being shipped to the trade network. In the three years of the five-year plan, the shipbuilders have manufactured 52.6 million rubles worth of consumer goods. Trade fair exhibitions are held to examine promising new items, and representatives of the trade organizations are invited to them. For example, at the first such exhibition, the skillful workers of the enterprise presented 110 samples. In organizing the production of new items, the orientation is toward maximum use of wastes from the basic production.

Leningrad Severnaya Verf Shipyard

The yard collective has gained a direct interest in manufacturing products for export. The yard is receiving 40 percent of the currency earned for ships to be sold, in due course, to Yugoslavia. Of this, 4 percent will go to Sudoeksport to carry out commercial operations, and 25 percent of the rest can be used to purchase consumer goods. As the widely circulated newspaper TEKH-NICHESKIJ PROGRESS reported, as a result, each worker at the yard will be able to acquire approximately 65 dollars worth of goods, selecting them from the appropriate catalogs of the Raznoeksport All-Union Association. It is planned to spend the rest of the funds obtained to purchase computers, copy machines,

plumbing hardware sets for the yard's apartment house, and efficient industrial equipment for the output of consumer goods.

Vyborskij Shipyard

The Vyborsk shipyard men are working to the utmost toward the system, "Progressive Thinking—for Production!" In just the first six months of last year, over 200 efficiency and organizational-technical-type proposals were turned in, as well as several applications for inventions. In this same period, 105 innovations were put into production, ensuring an 8720 norm-hour reduction in the labor-intensiveness of product manufacture, with a total economic effect of 117,900 rubles. Among the most active innovators are L.Va. Azhgivkov, design engineer, G.I. Dolbichkin, chief technologist, L.A. Maksimova and V.I. Stogov, technologists, S.F. Kortelev, electronics engineer, V.I. Chervyakov and M.N. Selezneva, engineers, N.A. Strelkov, chief of design bureau outfitting, A.L. Rozet, head designer, V.P. Murinskiy, deputy chief welder, V.A. Frolov, chief metrologist, and others. From the results of the first stage of inspection of the best developments aimed at increasing labor productivity and reducing expenditures, the organizing committee of the exhibition "Achievements of Inventors, Efficiency Experts and Innovators of Leningrad and the Oblast", awarded yard specialists the Honorary Document.

Volgogradskiy Shipyard

Vegetable carriers, floating pump stations, crane ships and oil-recovery barges are the shipyard's usual output. In accordance with the orders of the agroindustrial complex, the shipbuilders are developing the output of mechanized devices to process agricultural products. In particular, production of continuous-action machines called Noriya, to transport grain and its processed products, has been organized from top to bottom. The basic working element of the machine is a continuous, flexible belt with buckets, as well as a drive-tension drum. This equipment is also placed at elevators and bread bakeries.

Yard imeni 61 Kommunar

One of the important directions of the yard's social program is assistance to families for child care. The council of the labor collective has adopted a "Statute on Granting Additional Advantages to Women with Young Children." In addition to the benefits that have been established by legislation, until a child reaches the age of one year, a monthly additional payment will be made from the material incentive fund, which, together with the state subsidy, will constitute 50 rubles; additional leave is also offered to mothers, with monthly material assistance rendered in the amount of 50 rubles until the child reaches the age of three years. During this entire period, the woman's former work place will be retained, and after that, half-day or half-week work will be established for her. This statute was introduced beginning on 1 July 1989 for a three-year period.

Sevastopolskiy Marine Yard imeni S. Ordzhonikidze Production Association

A questionnaire was given to the young workers at one of the association's shops. Even though two-thirds of those queried gave a positive answer to the question as to whether their work was going well, over half of them intended to change their work place. Among the main reasons for the turnover they named low wages (95%), lack of housing, heavy physical labor, and poor vocational training. This is a characteristic answer: "If perestroika has no concern for production, I will go to a cooperative!"

The Leningrad Admiralty Association

Initiative is a profitable affair, they feel in the association. They plan to render 2 million rubles' worth of paid services this year. A special bureau has been formed to satisfy the various requests of the workers for work organization. The structure of the State order to give paid services (they have been part of the basic products list of production since April of last year) includes housing and communal service work, health resort treatment, manufacture of items upon requests from the workers, maintaining children in pioneer camps, sports-cultural measures, etc. The potentials of this plan are gradually being increasingly widely utilized. Among them are opening a store to sell unsalable items and industrial material wastes, with a turnover of 110,000-150,000 rubles a year, turning over to the tourist bureau the facilities, empty in midseason, of the Admiraltejets pioneer camp, creating a physical-cultural health complex, renting out the stock of sports equipment, etc.

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Further Details on Shipyard Activity

904H0183B Leningrad SUDOSTROYENIYE in Russian No 3, Mar 90 pp 51-54]

[Articles selected by A.N. Khaustov: "At the Shipyards"]

[Text]

TsNII [Central Scientific Research Institute] of Shipbuilding Technology

On 27 September of last year the applied science conference, "Results and Tasks of the Development of Shipbuilding Technology," held a jubilee celebration on the 50th anniversary of the founding of the TsNIITS. On 26 August 1939, by order No 235 of I.F. Tevosyan, People's Commissar of the Shipbuilding Industry, the Orgsudprom Union Trust was founded. It was called upon to implement technical assistance and exchange of experience between the yards in organizing technology and making the production processes efficient. In 1948 the trust was turned into the Central Scientific Research Institute of Shipbuilding Technology, and in 1969, on the basis of the TsNIITS, its branches and experimental plants, the Ritm Scientific Production Association was

created. V.F. Babanin, N.P. Lukyanov, V.A. Kashevskiy, A.A. Milto, P.N. Vykhristyuk, A.P. Markov and others devoted their reports at the conference to the history, state and perspectives for development of shipbuilding technology. The priority directions in this sphere are: ensuring the building of new generations of ships, developing and assimilating industrial methods of shipbuilding, reequipping and renovating shipbuilding enterprises, creating and developing technology new in principle (based, for example, on new physical-chemical phenomena), improving the organizational bases of production, mechanizing heavy, monotonous and manual work, completely mechanizing production processes, automating them and developing and using new materials.

TsNII imeni Akademik A.N. Krylov

Specialists of the institute have worked out the concept of a new type of modular ship for inland reservoirs. The ships are assembled in the area of operation, from maximally saturated modular hulls, with each of them being of a size that permits it to be transported on an ordinary railroad flatcar. Depending on the designation of the modules, a single-hull ship, catamaran or trimaran can be made up. The simplicity of the installation work is ensured by the fact that the units fastening the modules to each other are placed above the waterline. They can be dismountable (bolted) or nondismountable (welded). The multi-hull ship has a large deck area with minimal displacement, good stability and high performance.

Pella Shipyard

The floating laboratory, "Professor Pavlovskiy," was launched on 16 June 1989. The ship, which was built by order of the TsNII imeni Academik A.N. Krylov, is designed for research work in the Baltic Sea. Since the dimensions of a floating laboratory are larger than those for series-built pilot boats (the 100th pilot boat was recently sent to Cuba), it was built in a specially equipped temporary horizontal building berth. Other work was done to ensure the shape of this ship—beds were made to assemble the sections, software was developed to encode the hull-processing routes and compile the technological and brigade outfits, and a special launching device was prepared. The superstructure units were manufactured at the Primorskiy Yard, and workers of the Nevskiy Shipbuilding-Ship Repair Yard took part in insulating and finishing the facilities.

Okean Shipyard

The Young Komsomol crew of the large nuclear-powered trawler "General Chistyakov" of the Murmansk Trawler Fleet sent the yard a telegram with a message of appreciation for the development of the efficient modern ship. In six years of operation, the trawler made 11 fishing runs, covering 360,000 miles; 98,000 tons of fish were caught, and 43.5 million rubles

worth of products were produced. The large-circulation newspaper, ZA DOBLESTNYY TRUD reported this.

Kherson Shipbuilding Production Association imeni 60-letiye Leninskiy Komsomol

In July 1989, a system of automated labor norm-setting (SANT) was put into industrial operation here. The software was made for an ES type computer. The system makes it possible to accelerate technological preparation for production through replacing manual calculation of the norms and evaluations with mechanized calculation, done on a computer. On the basis of the existing sectorial and plant norms and information cards (input data), SANT draws up the technological norm-setting lists, the work orders, the log recording the technological labor-intensiveness (by orders and projects), and the lists of expenditures for welding materials. The association is working on expanding the use of SANT and integrating it with other automated systems.

Krasnoye Sormovo Plant Production Association

The association is linked by invisible threads with hundreds of supplying enterprises. The products list of items obtained through cooperation consists of about 7000 entries. Plants in Moscow, Leningrad, Perm and Saratov supply castings, forgings, complex machines and units. Control instruments and radio equipment come from Tbilisi, Baku, Kiev and Yerevan. Novosibirsk, Ryazan, Sverdlovsk and Kaliningrad produce completing items for washing machines. Volgograd, Klaypeda, Makhachkala and Yaroslavl manufacture pumps, navigation instruments, fittings and MSCh [inoculated gray cast iron] items for freighters. Ship furniture comes from Uzhgorod. Plants in Dnepropetrovsk, Poltava and Cheboksar supply electrical equipment for agroindustrial items. Khabarovsk and Pervomayskiy plants produce mechanisms for the tower cranes assembled at the association. A number of completing items are ordered in the GDR, Poland, Bulgaria, Hungary, the FRG, England, etc. Disruption of the ties that have formed leads to a delay in product output. For example, as a result of the strikes in Armenia, the Khabarovsk Daldizel plant stopped receiving generators from there, and, in turn, could not promptly supply diesel generators for motorships. New suppliers had to be sought immediately. The search for reliable partners is one of the problems that must be solved by the association's Department of Foreign Cooperation, which was created on 27 September 1989 and marked its 50th anniversary last year.

Yaroslavskiy Shipyard

The collective of the two combined sections of assembling and welding tugboat hulls has been working by the brigade contracting method since August of last year. A contract was concluded between the comprehensive brigade created and the administration, which specified formation of a wage fund, of which 60 percent was distributed according to ranks and time worked, and 40 percent—depending on the KTU [coefficient of labor

participation]. By the beginning of October it had already become clear that the cycle for building the next tug could be reduced. In December, however, the contracting collective broke up. A.M. Popov, foreman, and initiator of its creation, feels (newspaper SUDOSTROITEL) that the most important and effective stimulus was not actuated—wages did not increase. All the costs were liquidated through the brigade's internal reserves. The preliminary calculations were purely theoretical, since some of the expenditures in ordinary practice are carried over to the "rich" orders. The idea of contracting requires reorganization of the entire plant system, inclusion of an effective mechanism of cost accounting claims and introduction of the principle of self-government in the brigade.

Feodosiyskoye Production Association imeni 26th CPSU Congress

Personnel movement and turnover are social phenomena. The appearance of cooperatives brought on an outflow of the best qualified and most efficient part of the work personnel. For example, in April 1989, 44 persons were taken into the association, but 105 were discharged, and in May, 4 workers were accepted, and 87 were discharged. The moving force of this outflow is the eternal and never-satisfied desire to earn more. At the same time, the introduction at Feodosiya of a payment amounting to 6370 rubles to register out-of-towners deprived the association of this source of work personnel as well. The solution to this problem is seen in the introduction of true cost accounting, which will reduce the existing need for personnel and eliminate bad management. The source of personnel recruitment can be only local young people—graduates of the schools, SPTU [secondary vocational-technical school] and those transferred to the reserve from the ranks of the Soviet Army, and this category of labor resources needs to acquire and increase its vocational knowledge.

Perm Kama Shipyard

The plant's inventors and efficiency experts are making a constant contribution to production improvement. In just five months of 1989, 93 workers turned in 118 innovative proposals. In the same period, 50 efficiency proposals and 2 adopted inventions were put into production. This made it possible for the yard to save 86,000 rubles.

Plant imeni 61 Kommunar

In order to secure personnel and improve the physical conditions for the workers at the plant, additional benefits were established. Machine-tool operators, assemblers and electric welders, press cutters and benders are paid a one-time remuneration after working at the plant for a certain length of time, in the following amounts: 5 years—250 rubles, 10 years—500 rubles, 15 years—750 rubles, 20 years—1000 rubles, 25 years—1250 rubles, 30 years—1500 rubles. For many occupations, a 1.3-2-fold increase in compensation according to the work results

for the year (13th wage) is specified. For machine tool workers in basic production, a leave of 24 work days has been established. For workers in the basic specialties, who come to the plant and conclude a contract for at least 3 years, a one-time stipend of 300 rubles is paid. Other benefits have been specified. Workers who have violated work discipline and public order are deprived of additional benefits in the current year.

The Leningrad Admiralty Association

Improving the ecological situation is one of the most important problems facing the association. Objects related to environmental activity are among the priority ones. Hundreds of thousands of rubles were invested last year in a system to separate sewage networks, for the purpose of eliminating the polluted wastes entering the Neval. This is furthered by using a circulating water system, introducing the first section of an electroplating shop, with modern equipment, and putting into operation a system of household sewage, shifting drainage to the city sewer. Under cost accounting conditions, the fines paid for polluting the environment will become increasingly costly.

Navashinskiy Oka Shipyard

An interplant school of advanced experience was held here from 12-14 September 1989, on the theme, "Experience in Introducing the Technology of Laser Cutting of Sheet Materials on Laser Machines of the Biryusa Type," in which specialists from Nikolayev, Yaroslavl, Vladivostok, Moscow and Zlatoust took part. As we know, the advantages of laser technology in processing thin sheet metal include: the possibility of cutting along a complicated profile, obtaining a narrow cut (0.2-0.5 mm), minimal temperature deformations, and absence of noise and environmental pollution. The first Biryusa-2 machine at the Oka plant, turned over for experimental-industrial operation, was not used directly in production, because of a number of inherent shortcomings, including the laser Katun and ChPU [digital program control] 2U32-61 system. In April 1988, after installation of a new LTB-1 laser and a 2R32-T ChPU system from the Kristall machine, the modernized Biryusa-2 began operation. The Plater system and a specially developed program to convert the control programs from the LKI code (for Kristall ChPU) to the ISO code (for the 2R32-T ChPU) were used for automated preparation of the control programs.

Baltiya Shipyard

Despite the development of regional cost accounting, all the shipyards remain under union jurisdiction. As the large-circulation newspaper BALTIIYA reported, from the economic standpoint, under today's conditions it is advantageous for the yard to be in the system of the sectorial ministry. This is because of the guaranteed system of supplies, exemption from payment for fixed capital, benefits with respect to amortization deductions and expenditures for capital repair, availability of funds,

including currency, to ensure ship construction and create material reserves and centralized availability of equipment to develop production. Estimates show that a transfer from union to republic jurisdiction would considerably reduce the economic incentive funds—from 5,150,000 rubles to 4,050,000 rubles. Lower earned currency funds—16% instead of 25%—would be left at the disposal of the collective under the republic norms proposed. The profitability of the yard, ensured by the stable State orders, is in accordance with the interests of its workers.

TsNII Rumb

A sectorial information-service center, engaged in advertising-commercial study of license subjects related to shipbuilding, has been created here. The center presents enterprises with commercial market information on the sale and purchase of licenses on the world license market for the following subject matter: shipbuilding and ship repair, ship machine building, marine instrument making, shipbuilding technology and also consumer goods for the products list assigned to the sector. The center carries out its financial and economic activity on cost accounting principles.

Zaliv Shipyard imeni B.Ye. Butoma

In the course of improving the organizational structures, the yard is reducing personnel, including World War II and labor veterans, people who have given many years to the enterprise. In honor of the veterans who have retired for a well merited rest, special orders have been issued, and thematic coverage is being prepared for a yard radio broadcast; the veterans are being presented memorial souvenirs with the dates of their work at the yard engraved on them. Workers who have worked at the yard continuously for 20-25 years and have been awarded the "Veteran of Labor" medal, receive a monetary award—at least one month of salary or wage rate. The most deserving shipbuilders are presented with a special permanent pass to the yard. The continuity of generations is not being broken off.

Dalzavod imeni 50-letiye USSR

Many questions arise in the process of introducing cost accounting relations among the workers. The plant workers have the opportunity of having them explained during regular monthly meetings at the shops with the director and other leaders of the enterprise. The questions may be asked in advance, including through the editors of the large-circulation newspaper AVANGARD. Detailed answers are given on a wide range of problems worrying the Dalzavod workers. These are housing, work and everyday conditions, pension insurance, spending the funds earned by the collective, dietary orders, the work of the dining halls, etc.

Sevastopolskiy Marine Yard imeni S. Ordzhonikidze Production Association

A comprehensive "Housing" program is being carried out in the association. As a result of fulfilling the plan for capital construction in 1989, the plant workers obtained 105 apartments with a total available area of 4000 square meters. This year the work volume of this program is to be increased—specifically, housing with an area of 8000 square meters is to be introduced. Carrying out these plans requires considerable efforts from the plant, including those to procure critically scarce building materials, ensure construction by the work force, etc.

Volgogradskiy Shipyard

The plant has introduced a temporary (for 2 years) statute on wages and bonuses for students. Workers who have come to the yard and need to improve their qualifications or need training are sent directly to the brigades. During the first 3 months, no output is planned for them, they are not included on the listed staff of the shop or brigade, and wages are paid from the funds to train personnel in accordance with the category II rate (upon the written statement of the brigade leader and the STK [systems engineering complex]—a bonus of up to 50 rubles a month). The workers who have trained the students receive remuneration in the amount of 40-60 rubles (for each one). For 6 months after the young workers have been given a category, first full (3 months), and then 50% of the wage rate is specified to be paid from the funds for training personnel. Benefits are also introduced for graduates of the tekhnikum and the SPTU [secondary vocational-technical school].

Vympel Shipbuilding Production Association

Introducing order and reinforcing discipline—that is the pledge for successful fulfillment of production assignments. A steady trend toward reducing various types of violations and absenteeism has been noted in the association. Absentee workers, for example, have their leave cut by the number of days absent without valid cause (but by no more than 12 days). While in 1985 there were

some 1323 lost man-days, in 1988 there were 974, but of them 761 were made up for by leave days. The direct losses were 213 days. In the first six months of 1989, 394 absences were recorded, 312 were made up, and 82 man-days were lost. Preventive work on this plan includes sociological studies to ascertain the factors affecting the growth of labor discipline violations; recording the people suffering from alcoholism; organizing "raids" on the enterprise territory; individual chats between the management and the violators, etc.

Baltiyskiy Yard Production Association

Since 1 August of last year, the "Statute on One-Time Material Assistance to Families with Many Children" has come into force at the association. Families with three and more children can receive subsidies by the beginning of the school year. With one school-aged child it is 100 rubles, two—150 rubles, three and over—200 rubles. The statute also extends to single mothers with children of school age.

Vyborgskiy Shipyard

The basic functions of the trade union are, above all, protecting the workers' social rights and interests, and improving the conditions of their work, everyday life and leisure. As we know, the collective contract is an extremely important document regulating the mutual relations between the plant management and the trade union committee. The plan for the contract for 1990, compiled according to the old canons, was subjected to just criticism. An initiative group was formed to revise it in consideration of the new conditions of economic activity. The concise new text of the agreement was then sent for approval to all the plant subdivisions. While it had formerly had 14 parts, there are now only 3—on social problems, on labor safety practices and on the basic contractual production obligations. All the measures which the management should thus fulfill according to the existing laws were excluded from the contract.

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